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THESIS

NAVAL RESERVE FORCE: COST AND BENEFIT ANALYSIS OF REDUCING THE NUMBER OF NAVAL SURFACE RESERVE FORCE OPERATING BUDGET HOLDERS

by

Eric Coy Young

December, 1997

Thesis
Y6636

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REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington, VA 22202-4302, and to the Office of Management and Budget, Paperwork Reduction Project (0704-0188) Washington DC 20503.

1. AGENCY USE ONLY *(Leave blank)*	2. REPORT DATE December 1997	3. REPORT TYPE AND DATES COVERED Master's Thesis

4. TITLE AND SUBTITLE: **NAVAL RESERVE FORCE: COST AND BENEFIT ANALYSIS OF REDUCING THE NUMBER OF NAVAL SURFACE RESERVE FORCE OPERATING BUDGET HOLDERS**

5. FUNDING NUMBERS

6. AUTHOR(S)
Young, Eric C.

7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES)
Naval Postgraduate School
Monterey, CA 93943-5000

8. PERFORMING ORGANIZATION REPORT NUMBER

9. SPONSORING / MONITORING AGENCY NAME(S) AND ADDRESS(ES)

10. SPONSORING / MONITORING AGENCY REPORT NUMBER

11. SUPPLEMENTARY NOTES The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

12a. DISTRIBUTION / AVAILABILITY STATEMENT
Approved for public release; distribution unlimited.

12b. DISTRIBUTION CODE

13. ABSTRACT *(maximum 200 words)*

The Quadrennial Defense Review 1997 recommended reductions of civilian and military personnel associated with infrastructure. The Naval Reserve Force is aggressively pursuing options to reduce excess infrastructure within the Navy. This thesis examines one of Commander Naval Surface Reserve Force's initiatives for reducing the current number of Operating Budget holder's Comptroller Departments without sacrificing efficiency and effectiveness of operations. The central objective of this research was to determine whether excess capacity existed in these Comptroller Departments. To address this issue, interviews were conducted with key financial personnel assigned to the Naval Reserve Force. Additionally, a questionnaire was distributed to fifty percent (5 of 10) of the Comptrollers to obtain information on manpower requirements, department operating procedures, and department task requirements. The primary finding is that Naval Surface Reserve Force Operating Budget holder's comptroller organizations could be reduced from ten to seven and continue to operate efficiently and effectively. The analysis concluded that enough excess capacity exists in the comptroller organizations to manage nine additional Naval Reserve Centers.

14. SUBJECT TERMS
Naval Reserve Restructuring, Naval Reserve Downsizing, Operating Budget Holders, Naval Surface Reserve Force Reductions, Comptroller Reorganization, Infrastructure Reductions, Naval Reserve Force

15. NUMBER OF PAGES
102

16. PRICE CODE

17. SECURITY CLASSIFICATION OF REPORT	18. SECURITY CLASSIFICATION OF THIS PAGE	19. SECURITY CLASSIFICATION OF ABSTRACT	20. LIMITATION OF ABSTRACT
Unclassified	Unclassified	Unclassified	UL

NSN 7540-01-280-5500

Standard Form 298 (Rev. 2-89)
Prescribed by ANSI Std. 239-18

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NAVAL RESERVE FORCE: COST AND BENEFIT ANALYSIS OF REDUCING THE NUMBER OF NAVAL SURFACE RESERVE FORCE OPERATING BUDGET HOLDERS

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requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

December 1997

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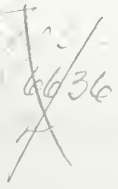

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ABSTRACT

The Quadrennial Defense Review 1997 recommended reductions of civilian and military personnel associated with infrastructure. The Naval Reserve Force is aggressively pursuing options to reduce excess infrastructure within the Navy. This thesis examines one of Commander Naval Surface Reserve Force's initiatives for reducing the current number of Operating Budget holder's Comptroller Departments without sacrificing efficiency and effectiveness of operations. The central objective of this research was to determine whether excess capacity existed in these Comptroller Departments. To address this issue, interviews were conducted with key financial personnel assigned to the Naval Reserve Force. Additionally, a questionnaire was distributed to fifty percent (5 of 10) of the Comptrollers to obtain information on manpower requirements, department operating procedures, and department task requirements. The primary finding is that Naval Surface Reserve Force Operating Budget holder's comptroller organizations could be reduced from ten to seven and continue to operate efficiently and effectively. The analysis concluded that enough excess capacity exists in the comptroller organizations to manage nine additional Naval Reserve Centers.

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LIST OF ABBREVIATIONS AND ACRONYMS

ACNO-NR	Assistant Chief of Naval Operations Naval Reserves
BRAC	Base Realignment and Closure
CNO	Chief of Naval Operations
COMNAVRESFOR	Commander, Naval Reserve Force
CO	Commanding Officer
COMNAVAIRRESFOR	Commander, Naval Air Reserve Force
COMNAVRESCRUITCOM	Commander, Naval Reserve Recruiting Command
COMNAVSURFRESFOR	Commander, Naval Surface Reserve Force
DFAS	Defense Finance and Accounting Service
FY	Fiscal Year
FYDP	Future Year Defense Plan
GAO	Government Accounting Office
NAVMARCORRESCEN	Naval and Marine Corps Reserve Center
NAVRESCEN	Naval Reserve Center
NAVRESREDCEN	Naval Reserve Readiness Center
NAVSURFRESFOR	Naval Surface Reserve Force
NRF	Naval Reserve Force
OB	Operating Budget
O&MNR	Operations and Maintenance Naval Reserve
QDR	Quadrennial Defense Review
REDCOM	Readiness Command
RESCEN	Reserve Center
RESFOR	Reserve Force
RPN	Reserve Personnel Navy
SELRES	Selected Reserves
TAR	Training and Administration for Reserves
WWI	World War I

I. INTRODUCTION

A. BACKGROUND

Base Realignment and Closure (BRAC) Commission 1995 recommended closures of two Readiness Commands and eight Reserve Centers to reduce infrastructure and realize cost savings within the Naval Reserve. Closures were completed in 1996 leaving ten operational Readiness Commands (OB holders). The Quadrennial Defense Review, which was completed in May 1997, recommended that all services reduce infrastructure further to produce cost savings. The QDR found that DoD has enough excess base structure to warrant two additional rounds of BRAC similar in scale to those of 1995.

Now that the cold war is over, the Naval Reserve finds itself in a conflict that poses a real threat to its ability to respond effectively if called upon. It is a budget war and the conflict is being waged within the Navy. It centers on the distribution of Navy Department resources. Our Naval Reserve forces must change dramatically in response to the budget constrained environment and requirements to maintain a level of readiness to support our active forces when called upon. The Naval Reserve must be leaner and more efficient in order to meet the demands of the budget. We

not only have the opportunity to change, we have the requirement to change. Since DoD budgets are not likely to increase, we in the Navy and Naval Reserve will have to do more with less.

The Navy is trying to determine how to allocate resources between force structure and the infrastructure needed to support those forces. As the force structure gets smaller, the infrastructure to support it should decrease as well. The objective of this research is to present information that will assist our Naval Reserve leadership in making informed decisions in reducing force structure and its supporting infrastructure.

B. OBJECTIVES

This thesis will examine the potential cost savings created by reducing the number of current Operating Budget (OB) holders in the Naval Surface Reserve Force while preserving efficiency and effectiveness of financial operations. The thesis will focus only on those savings generated through the comptroller/financial department. Research will include conducting an analysis of functions expressed by the Operating Budget holder's comptroller organization. A review of prior, current and future organizational structure; and a cost and benefit analysis of reducing current Operating Budget holders.

My research efforts are confined to the Naval Surface Reserve Force, but results from this research may assist the chain of command in the decision making process in how to efficiently and effectively restructure the Naval Reserve during this period of downsizing.

C. THE RESEARCH QUESTION

Primary Question

1. What is the best structure for Naval Surface Reserve Force Operating Budget holders (comptroller organizations) while preserving efficiency and effectiveness of financial operations?

Secondary Questions

1. Can the number of Naval Surface Reserve Force Operating Budget holders (comptroller organizations) be reduced while preserving efficiency and effectiveness of financial operations?

2. What is the cost savings of reducing Operating Budget Holder's comptroller organizations?

3. What is the best way to consolidate Operating Budget Holder's comptroller organizations?

4. How many Reserve Centers can an Operating Budget Holder's comptroller organization manage efficiently and effectively?

D. SCOPE

This thesis will investigate whether Naval Surface Reserve Operating Budget Holder's comptroller organizations can be reduced while preserving efficiency and effectiveness of financial operations. The thesis will also evaluate the potential savings created by reducing the number Operating Budget Holder's comptroller organizations. Research will include conducting an analysis of functions exercised by the Operating Budget holder's comptroller organization. A review of prior, current and recommended future organizational structure to support such a change; and conducting a cost and benefit analysis of reducing current Operating Budget holders.

E. METHODOLOGY

Information will be collected primarily through interviews with current Comptrollers of Naval Reserve Readiness Commands (OB holders). Additional interviews will be conducted with personnel associated with Naval Surface Reserve Force and commands that routinely conduct financial

operations with the Operating Budget Holder's comptroller organizations.

Background data will be gathered through interviews of Naval Surface Reserve Force personnel. Also, a literature review will be conducted concurrently to include: DoD reports, documents, instructions, and various other publications.

F. ORGANIZATION OF STUDY

This thesis is divided into five chapters as follows: Following this introductory chapter, Chapter II will discuss the reorganizing/restructuring, reduction of infrastructure, process reengineering and other cost saving measures during this period of downsizing. Chapter III will briefly discuss the Naval Surface Reserve Force and the Naval Surface Reserve Force Operating Budget holder's organizational structure. A review of Readiness Command's comptroller departments prior organizational structure and functions exercised; and current organizational structure and functions exercised. Chapter IV will discuss the thesis research methodology. Chapter V will include a cost and benefit analysis and a discussion of the feasibility of reducing the number of OB holders in Naval Surface Reserve force. The final chapter will include answers to the thesis questions and a conclusion of the research findings and

recommendation for implementation or further studies on the subject.

II. LITERATURE REVIEW

This chapter will discuss the nature and magnitude of the infrastructure problem facing the DoD and Navy. A review was conducted on books, articles, audit reports, and the Department of the Navy's FY 1997 Budget to gather insight regarding the current efforts to deal with the challenges as they relate to installations. This chapter will focus on DoD's, the Navy's, and COMNAVSURFRESFOR's efforts in the areas of reorganizing/restructuring, infrastructure reduction, process reengineering and other cost saving measures during this period of downsizing. Additionally, this chapter will discuss how COMNAVSURFRESFOR is internally reviewing its' infrastructure to see where savings can be generated.

A. INFRASTRUCTURE REDUCTION AND BRAC

1. Background

Traditionally Navy policy has been to cut infrastructure to a greater degree than force structure (e.g., ships, submarines, and aircraft).(Force 2001, pg. 24) DoD infrastructure includes a diverse set of activities carried out by an even more diverse set of organizations. Foremost among them are installations for the operating forces, training programs for military personnel, logistics

support, central personnel services, and headquarters functions. (QDR, 1997, pg. VIII-1)

The Base Realignment and Closure (BRAC) Commission was conceived to assist in reducing excess infrastructure. Base Realignment and Closure (BRAC) Commission 1995 reviewed and recommended closures of two Readiness Commands and eight Reserve Centers to reduce infrastructure and realize cost savings within the Naval Reserve. Closures were completed in 1996 leaving ten operational Readiness Commands (OB holders).

The mission of Readiness Commands (REDCOMs) is to provide senior management support to Navy and Marine Corps, Naval Reserve, and Naval Reserve Readiness Centers, Naval Reserve Facilities, and Naval Activities at Joint Military Armed Forces Reserve Centers. REDCOM missions and responsibilities are further explained in chapter III.

BRAC-95 concluded that there was significant excess capacity at Navy and Marine Corps Reserve Centers. However, the overriding concern was to maintain a demographically sound Reserve establishment and guarantee Reserve recruiting opportunities. "Demographically sound" refers to Reserve Centers in every state for the Navy, or where they now exist for the Marine Corps. This resulted in organization closures only in areas with obvious duplication. The Commission recommended retaining Reserve Centers in every

state for the Navy, or where they now exist for the Marine Corps. Units were to be consolidated with active duty or joint service centers where they could contribute more directly to the fleet, without impacting recruiting demographics. The downsizing of the Reserve establishment allowed consolidation of the Navy Reserve Readiness Commands by closing two REDCOMs while maintaining a geographically appropriate structure.(BRAC, 1995, pg. E-8)

2. Justification for Closures

The BRAC-95 Commission concluded that existing capacity in support of the Reserve component continued to be in excess of the force structure requirements for the year 2001. REDCOM 7 (Charleston, South Carolina) had management responsibility for the fewest number of Reserve Centers of the thirteen REDCOMs, while REDCOM 10 (New Orleans, Louisiana) had management responsibility for the fewest number of Selected Reservists. In 1994, nearly three-fourths of the authorized SELRES billets at REDCOM 10 were unfilled, suggesting a demographic shortfall. The declining Reserve force structure necessitated more effective utilization of resources and therefore justified closing of these two REDCOMs. In arriving at the recommendation to close these Reserve Commands, specific analysis was conducted to ensure that there were either an alternate location available to accommodate the affected Reserve

population or demographic support for force recruiting in the areas to which units were being relocated.

The economic impact from closure of REDCOM 7 and REDCOM 10, assuming no economic recovery, resulted in a maximum potential reduction of 42 military/civilian jobs (REDCOM 7). and 73 military/civilian jobs (REDCOM 10) over the 1996-to-2001 period. (BRAC, 1995, pg. E-13)

Despite the large reduction in infrastructure during the 1995 round of base closures and realignment, the DoD and the Navy continues to reduce excess capacity. The Department of the Navy FY 1997 Budget emphasizes a strong commitment to increased efficiency in our infrastructure and other resources. Within these priorities, the Department of the Navy made modifications promoted by events that occurred during the past year, such as specific actions approved for BRAC IV.(Budget, 1997, pg. 1-1)

B. DEPARTMENT OF THE NAVY (DON) FY 1997 BUDGET

1. DON Efficiency

The Department of the Navy is aggressively reducing the cost of maintaining it's infrastructure. The fiscal year 1997 budget includes the funds necessary to implement base realignments and closures mandated by BRAC II, III, and IV. Additionally, appropriation estimates for FY 1997 include specific costs and savings for BRAC IV. Savings resulting from BRAC realignments and closures, when fully implemented,

are estimated to exceed $2 billion per year. As a result of BRAC and other streamlining initiatives, industrial overhead and supply operating costs at Working Capital Fund activities will decline by more than $400 million between FY 1996 and FY 1997. BRAC and other efficiencies being implemented by the Department of Navy will result in our civilian personnel resources declining by almost 22,000 between FY 1995 and FY 1997 and by more than 46,000 by FY 2001. (Budget, 1997, pg. 4-6)

2. Military Personnel Naval Reserve

The fiscal year 1997 budget supports Naval Reserve end strengths of 100,597; 98,894; and 95,941 in FY 1995, 1996 and FY 1997 respectively (Figure 2-1). The budget will provide for extensive contributory support of the active forces in addition to Navy roles and missions specifically assigned to reserve units. Examples of contributory support include active participation in worldwide contingencies, intelligence support, fleet exercises/deployments, counterdrug missions, and extensive medical support of active forces. (Budget, 1997, pg. 2-14)

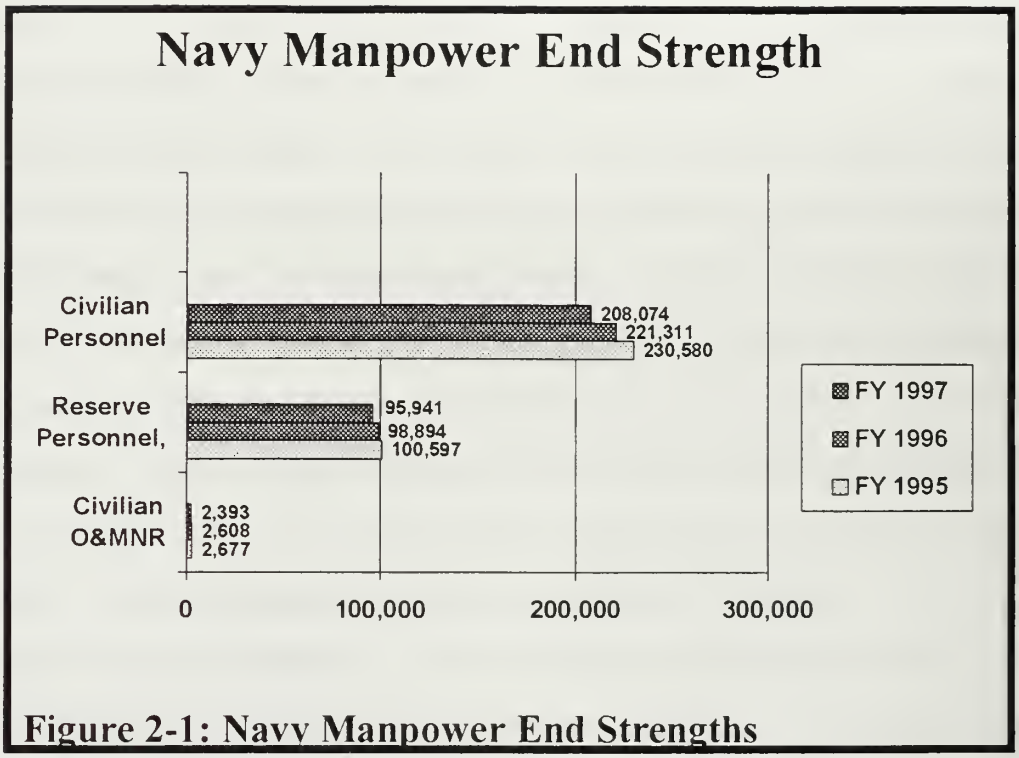

Figure 2.1: Navy Manpower End Strengths

3. Civilian Personnel

Civilian personnel have historically provided important support to military combat forces in peacetime and in war. Civilian personnel maintain military installations, repair and maintain weapons systems, and provide logistical support. In fiscal year 1997 about 648,000 of DoD's civilian employees (81 percent) were projected to fill positions that relate to infrastructure programs, while 150,000 (19 percent) were projected to fill positions related to mission programs (Figure 2-2). (GAO audit report, 1997, pg. 29)

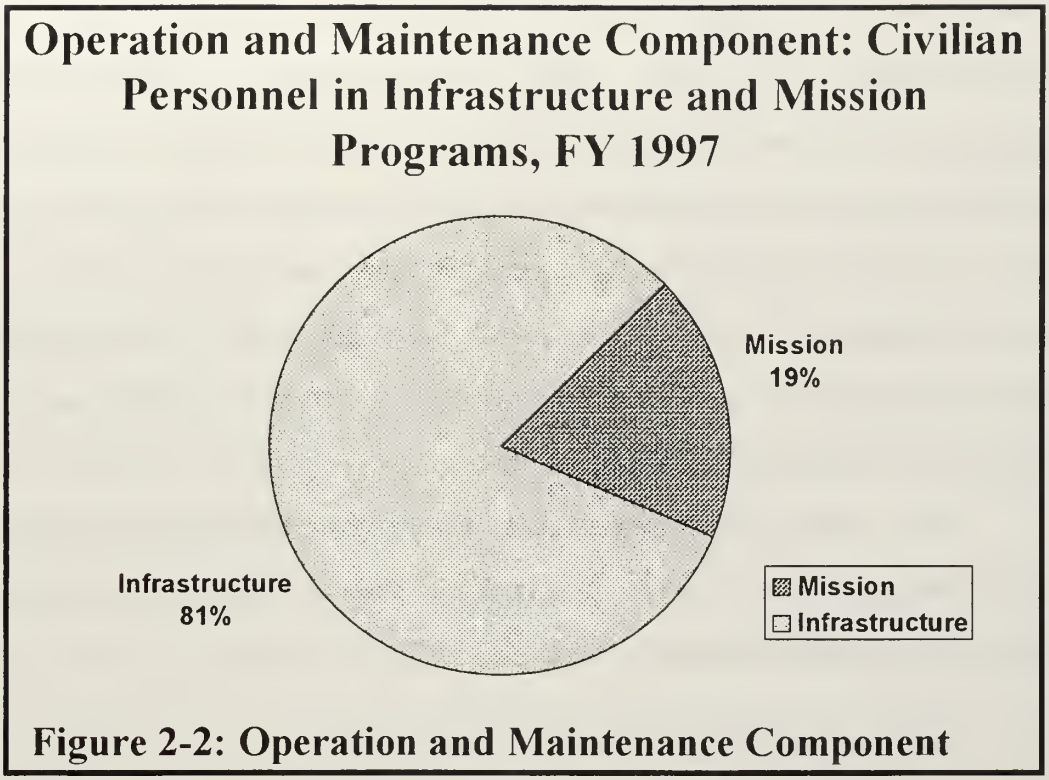
Operation and Maintenance Component: Civilian Personnel in Infrastructure and Mission Programs, FY 1997
Mission 19%
Infrastructure 81%
Mission
Infrastructure
Figure 2-2: Operation and Maintenance Component

Figure 2.2: Operation and Maintenance Component

The Navy budget includes civilian end strength of 230,580; 221,311; and 208,074 in FY 1995, 1996, and FY 1997 respectively (Figure 2.1). Civilian Personnel levels in the Department are at the lowest level since before World War II. The budget reflects the continued downward trend of the civilian work force as a result of base closures, reductions in force structure, and management efficiency. (Budget, 1997, pg. 4-5)

Overall, the Navy budget for civilian personnel will decline by over 22,000 end strength between FY 1995 and FY 1997 and by over 46,000 through FY 2001. A planned

reduction of almost 33,000 civilians through FY 2001 results from BRAC II, III, and IV decisions. In addition to infrastructure downsizing, civilian personnel levels in FY 1997-FY 2001 are reduced to reflect efficiencies and savings as a result of the Department implementation of National Performance Review recommendations and re-engineering processes which will improve the way we do business in the future. (Budget, 1997, pg. 4-5)

The Navy is committed to infrastructure downsizing. The next section will highlight those actions required to further reduce infrastructure in DoD.

C. DOD RESTRUCTURING/REORGANIZATION

1. 21st Century Defense Infrastructure

The DoD infrastructure includes a diverse set of activities carried out by an even more diverse set of organizations. Foremost among them are installations for the operating forces, training programs for military personnel, logistics support, central personnel services, and headquarters functions. The organizations that performed these functions accounted for 48 percent of total DoD employment (military and civilian) in FY 1997.(QDR, 1997, pg. VIII-3)

During the post-Cold War military drawdown, DoD attempted to reduce the defense infrastructure, including military bases and personnel associated with them, as it

reduced the force structure. However, infrastructure reductions have lagged behind force structure reductions. Specifically, from 1989 to 1997, the Department reduced total active duty military end strength by 32 percent, a figure that will grow to 36 percent by 2003 as a result of the Quadrennial Defense Review (QDR). In comparison, even after the completion of four rounds of base realignment and closure (BRAC), the world-wide base structure will have been reduced only 26 percent. (QDR, 1997, pg. VIII-3)

However, civilian and military personnel employed in infrastructure related activities have been reduced only 28 percent since 1989. The plans developed before the QDR were projected to yield a total reduction to infrastructure employment of 33 percent by 2003. To close the gap between force structure and infrastructure reductions and begin to reduce the share of the defense budget devoted to infrastructure, the QDR recommended the following actions:

- Make a further reduction of 109,000 civilian and military personnel associated with infrastructure beyond the initiatives in the DoD budget for FY 1998. These further reductions will bring the total reduction to infrastructure employment since 1989 to 39 percent.
- Request authority for two additional rounds of BRAC, one in 1999 and the second in 2001.

- Improve the efficiency and performance of DoD support activities by adopting innovative management and business practices of the private sector. These include "reengineering" or "reinventing" DoD support functions, e.g., streamlining, reorganizing, downsizing, consolidating, and automating operations. (QDR, 1997, pg. VIII-II)

2. Reengineering the DoD Infrastructure

Most of DoD's infrastructure resides within the military departments. This infrastructure, organized along functional lines, furnishes resources for the management of defense forces, facilities from which defense forces operate, non-unit training, and personnel support. In FY 1997, military department infrastructure represents 78 percent of the Department's total infrastructure funding and employs 572,000 civilian and 557,000 military personnel. Before the QDR, the military departments had planned to reduce infrastructure-related personnel by 58,000 civilian and 20,000 military positions over the Future Year Defense Plan (FYDP), a total reduction of about 7 percent. By streamlining management oversight, eliminating redundant functions, and outsourcing or privatizing where appropriate, the military departments are expected to reduce infrastructure costs and personnel even further. Specific proposals include:

- Reduce logistics support costs by integrating organizations and functions (supply, financial, automated data processing, transportation, maintenance, and procurement) now being performed at multiple locations in a common geographic area. Each military department will reduce inventories and operating costs by sharing and linking consumer-level inventories and by eliminating redundant facilities and operations.
- Reduce layers of oversight at headquarters and operational commands and eliminate management and support positions no longer required because of improvements in communications and information technology. The Department will also consolidate some support infrastructure outside the United States. These actions will eliminate 10,000 military and 14,000 civilian positions. (QDR, 1997, pg. VIII-III)

The QDR initiatives will reduce infrastructure employment by about 109,000 (about 72,000 civilian and 37,000 military positions). As a result, by the end of FY 2003, QDR initiatives plus those actions implied by the budget will shrink total infrastructure employment to 1.2 million people, which is 39 percent below 1989 level. (QDR, 1997, pg. VIII-IV)

D. SUMMARY

A primary requirement of the U.S. military is fighting and winning the nation's wars. To perform this role, the Department requires robust and modern infrastructure. Recent reductions will reduce the Department's infrastructure to its historical proportion relative to the size of the total force. Clearly further reductions are possible, and must be made in order to support training, modernization, and operational requirements at less cost.

DoD and the Department of the Navy are aggressively pursuing options to reduce excess infrastructure. BRAC-95 examined and concluded that existing capacity in support of the Reserve component continues to be in excess of the force structure requirements for the year 2001. COMNAVSURFRESFOR is pursuing alternative processes and procedures to ensure all cost saving measures are reviewed and evaluated. One COMNAVSURFRESFOR initiative includes reviewing the feasibility of reducing the number Operating Budget holders (Comptroller Departments) without sacrificing efficiency and effectiveness. This initiative will be examined in the following chapters.

III. NAVAL SURFACE RESERVE FORCE ORGANIZATIONAL STRUCTURE

A. HISTORICAL BACKGROUND

The tradition of the Reserve Militia to serve the nation goes back to the colonial days. The Navy Department in 1887 prepared a plan of organization for the naval militia force. By 1894, the movement had reached the point where the Secretary of the Navy was given authority to lend each state having a Naval Militia one of the Navy's older ships, as well as equipment, to "promote drills and instructions." By 1897, 16 states had a Naval Militia in one form or another. By the time Theodore Roosevelt took over as Assistant Secretary of the Navy, the United States Naval Militia had over 4,000 officer and enlisted personnel. These militias came under the control of the Navy Department with the Navy Militia Act of 1914.

On 13 March 1915, with World War I (WWI) progressing in Europe, Congress passed legislation that first established a Federal Naval Reserve to be composed of enlisted men who had seen active service in the Navy. During WWI, about 30,000 reserve officers and 300,000 enlisted personnel served on active duty in various roles in support of the war effort. During the years following WWI and until the Japanese Navy threat in 1938, the Naval Reserves suffered from a post war force reduction and shortage of funds. World War II saw the

U.S. Navy grow to the largest in history. Four out of five personnel in the Naval Forces were reservists. In the five decades which have passed since 1945, the Naval Reserve has continued to serve with distinction during times of crisis.

Today's Naval Reserve had it's genesis in 1946 with the establishment of the Naval Air Reserve Training Command. The Naval Air Reserve Training Command was established in 1946 at Glenview, Illinois. The Naval Reserve Training Command (non-aviation) was established in 1956 at Omaha, Nebraska. The Naval Reserve Training Command consisted of surface, submarine and other non-aviation units. The Commandants of what were then called Naval Districts were responsible for the administration and training of these Naval Reserve non-aviation units.

Each of these Naval Districts controlled a specific Naval geographic region within which they supervised non-aviation schedules. Even though the District of Commandant was in control of non-aviation units, the District Deputy Chief of Staff for Reserves had full authority for reserve activities in that district. Prior to 1956, the District of Commandants reported to the Director of the Naval Reserve/Assistant Chief of Naval Operations Naval Reserves (ACNO-NR). After the reorganization in 1956, the Naval Districts reported directly to the Chief of Naval Reserve Training Command:

> Within the Naval Districts, numerous Naval Reserve training centers provided drill space, instruction, equipment, and administrative support to drilling reservists. These training and administrative support functions were usually provided by a cadre of Naval Officers known as Training and Administration for Reserves (TAR's). (Murach, 1997, pg. 25)

The Reserve Centers (RESCENs) were commanded by a TAR officer who reported to the District Deputy Chief of Staff for Reserves. The Reserve Unit Commanding Officers (CO) reported directly to the RESCEN Commanding Officer. Initially, a Reserve unit was utilized to augment an active duty ship during mobilization:

> Since it was not always feasible for an entire unit to augment a ship, it was decided to reorganize units as `surface reserve divisions.' Although the reserve divisions drilled and trained together, each member of the division had an individual mobilization billet corresponding to the needs of the fleet. (Murach, 1997, pg. 16)

The Naval Districts ensured that fleet wide mobilization requirements were met with qualified reservists in mobilization assignments. In times of mobilization, the reservists would be processed, issued mobilization orders, and given government transportation to get to their required destinations.(Murach, 1997, pg. 16)

B. CONSOLIDATION

The Naval Reserve began to reorganize again with the establishment of the Total Force Policy. In 1973, the

Commander, Naval Reserve Force (COMNAVRESFOR) established a new headquarters in New Orleans, Louisiana, as well as a dual role as Director of Naval Reserve. This new headquarters consolidated Naval Air Reserve Training Command from Glenview, Illinois and Naval Surface Reserve Training Command from Omaha, Nebraska at New Orleans, Louisiana. The consolidation was important for policy implementation, resources, and the view of a Total Reserve Force. Headquartered under COMNAVRESFOR are the Commander, Naval Air Reserve Force (COMNAVAIRRESFOR) and the Commander, Naval Surface Reserve Force (COMNAVSURFRESFOR).(Murach, 1997, pg. 17)

C. NAVAL SURFACE RESERVE FORCE

In 1976, the Naval District Commandants shifted control of Surface Reserve Training Centers to a command level called REDCOMs. Like the old Naval Districts, the REDCOMs would be in charge of Naval units in their specific geographic region.

Within this new restructuring, the REDCOM Commander reported directly to COMNAVSURFRESFOR, and the RESCEN CO reported to these new regional Commanders. The Reserve Unit CO still reported to the RESCEN CO.

> In the early 70's, the Naval Reserve began a major effort to align Naval Reserve units with active force commands. This period of horizontal integration of reserve units with active components was an effort to institutionalize the `One Navy' concept originally envisioned under the Total Force Concept. COMNAVSURFRESFOR ships were horizontally integrated into the active fleet for operational control. For non-hardware or augment units, this was the beginning of the gaining command concept presently in place. (Murach, 1997, pg. 29)

With input from fleet activities, this restructuring assisted in developing training and mobilization standards that become a part of the gaining command concept. Due to the increase in support to the active commands, some functions are now carried out exclusively by Reservists. Commands reporting to COMNAVSURFRESFOR include:

> REDCOMs, Naval Reserve Force Ships (NRFs), Mobile Inshore Undersea Warfare units (MIUW), Naval Reserve Cargo Handling Battalions, Naval Reserve Fleet Hospitals, Special Boat units, and many other combat and augment related to the needs of the surface Navy. (Naval Reserve, 1995, pg. 2)

D. NAVAL RESERVE FORCE CHAIN OF COMMAND

The Naval Reserve chain of command consists of six different levels, called echelons (Figure 3.1).

Echelon I is the Chief of Naval Operations (CNO), responsible for the organization, administration, training, and equipping of the Naval Reserve, and for the mobilization planning required to reinforce and augment active forces effectively.

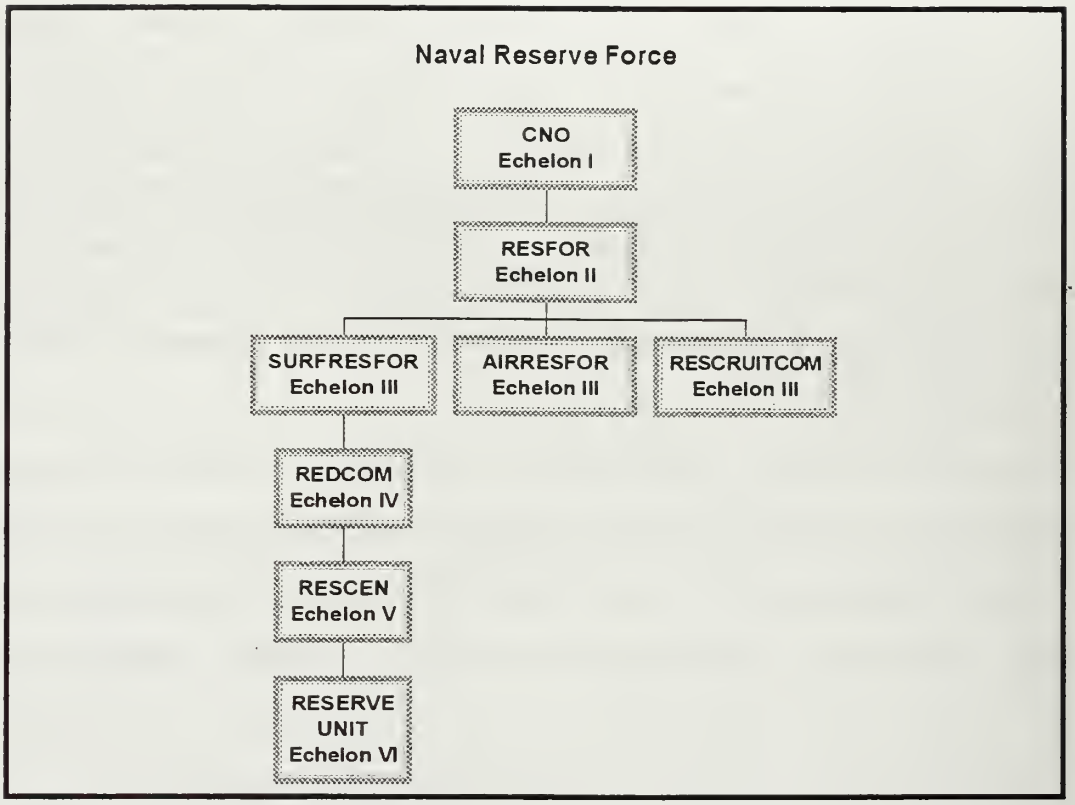

Figure 3.1: Naval Reserve Chain of Command

The CNO prescribes the programs and units through the Director, Naval Reserve and coordinates overall plans, polices, programming, and budget matters. This includes their location, tables of organization, and mission statements.(R-07A-0010, 1997, pg. 1-2-2)

Echelon II is COMNAVRESFOR. As the Director, of Naval Reserve, COMNAVRESFOR supports the CNO in overall planning, programming and budgeting, including formulation, review, and presentation of Naval Reserve strength plans, programs, and budgets. COMNAVRESFOR commands the Naval Reserve Force, consisting of COMNAVAIRRESFOR, COMNAVSURFRESFOR, and

Commander, Naval Reserve Recruiting (COMNAVRESCRUITCOM). COMNAVRESFOR maintains training and administration of Selected Reserves to keep the Naval Reserves in the highest state of readiness for functions that the CNO may require.(R-07A-0010,1997, pg. 1-2-2)

Echelon III is made of many commands. One of them, COMNAVRESFOR, is the focus of this thesis. COMNAVSURFRESFOR, manages resources, training, administration, operational control, and coordination of the Naval Surface Reserve Force.(R-07A-0010, 1997, pg. 1-2-2)

Echelon IV also consists of many commands, however, the focus is on the REDCOMs. They are responsible for preparing and coordinating regional plans for mobilization execution.(R-07A-0010, 1997, pg. 1-2-4)

Echelon V comprises the Naval Reserve Centers (NAVRESCEN) and Naval and Marine Corps Reserve Centers (NAVMARCORRESCEN).(R-07A-0010, 1997, pg. 1-2-5)

Echelon VI consists of the actual Naval Reserve units. These units are responsible for scheduling, training, and planning for attached Reserve unit personnel. (R-07A-0010, 1997, pg. 1-2-5)

E. NAVAL SURFACE RESERVE FORCE CHAIN OF COMMAND

The Naval Surface Reserve Force consist of echelons IV, V and VI commands (Figure 3.2).

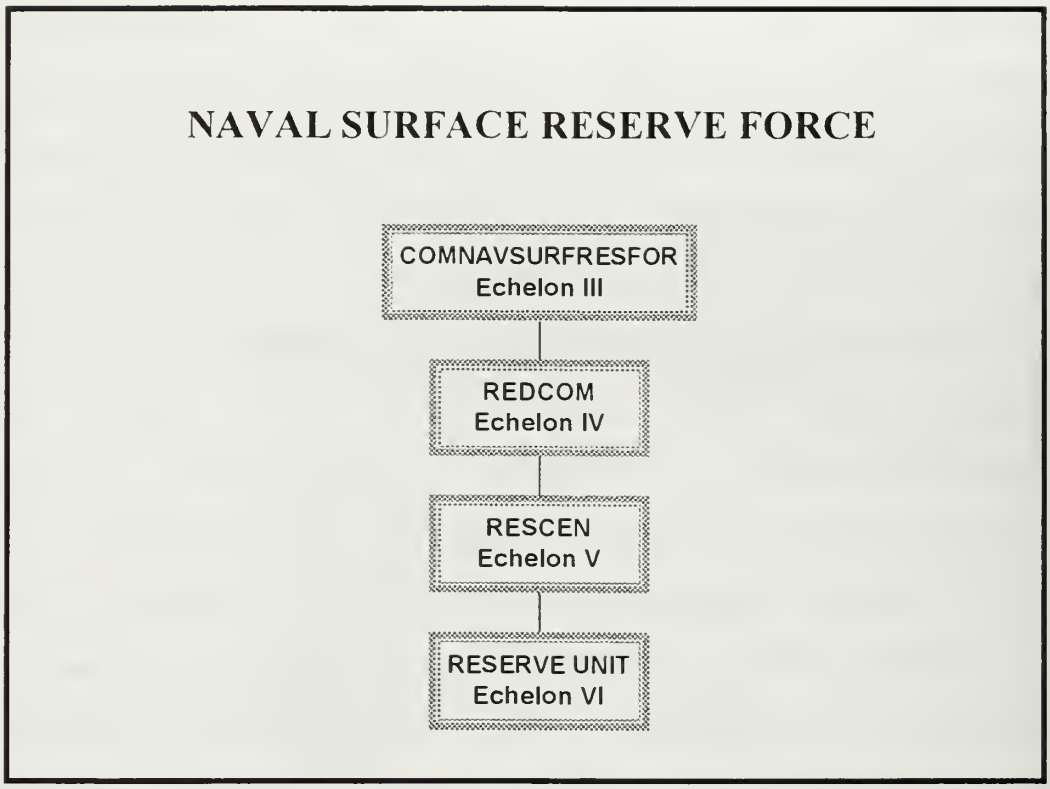

Figure 3.2: Naval Surface Reserve Chain of Command

Commander, Naval Surface Reserve Force (COMNAVSURFRESFOR) exercises overall authority, direction, operational control, and coordination of Selected Surface Reserve Programs, including management of all Naval Reserve resources under COMNAVSURFRESFOR authority. COMNAVSURFRESFOR manages the effectiveness of resource management, training, and administration of the Naval Surface Reserve Force. (R-07A-0010, 1997, pg. 1-2-4)

REDCOMs are responsible for the effective management of personnel and resources to train, equip, and maintain the readiness of the inactive Naval Reserve for rapid

mobilization. They prepare and coordinate regional plans for mobilization and execute such plans when directed. Additionally, they serve as COMNAVSURFRESFOR field managers for assigned facility, equipment and personnel resources and provide administrative support to all Echelon V commands assigned to them. (R-07A-0010, 1997, pg. 1-2-5)

The Naval Reserve Readiness Centers (NAVRESREDCENs), Naval and Marine Corps Reserve Readiness Centers (NAVMARCORRESREDCENs), and Naval Reserve Centers (NAVRESCEN) are responsible for scheduling, conducting, and monitoring training in support of mobilization training requirements, managing resources, and providing administrative support to assigned Selected Reservists.(R-07A-0010, 1997, pg. 1-2-5)

Naval Reserve Units responsibilities are contained in section D above.

F. NAVAL RESERVE READINESS COMMANDS

The Naval Surface Reserve Force currently has ten Readiness Commands which provide support and oversight to Reserve Centers throughout the United Sates (Figure 3.3 and Figure 3.4).

Figure 3.3: Naval Reserve Readiness Commands

READINESS COMMANDS	*NUMBER RESERVE/READINESS CENTERS*	*GEOGRAPHICAL LOCATIONS (STATES) OF RESERVE/READINESS CENTERS*
REDCOM ONE	18	CT, MA, ME, NH, NY, RI, VT
REDCOM FOUR	15	DE, PA, NJ, NY, WV
REDCOM SIX	14	MD, NC, VA, WV, WASH DC
REDCOM EIGHT	15	GA, SC, FL, PUERTO RICO
REDCOM NINE	18	AL, AR, LA, MO, MS, TN, KY,
REDCOM ELEVEN	15	NM, OK, TX
REDCOM THIRTEEN	21	IL, IN, MI, OH,
REDCOM SIXTEEN	23	CO, IA, KS, MI, MN, MO, ND, NE, SD, WI, WY,
REDCOM NINETEEN	11	CA, HI, NV, AZ
REDCOM TWENTY-TWO	22	AK, CA, ID, MT, NV, OR, UT, WA,

Figure 3.4: REDCOM's Areas of Responsibilities

G. REDCOM COMPTROLLER DEPARTMENT

The Comptroller Department is managed by the Comptroller (N8). The Comptroller serves as the chief financial advisor to the Readiness Commander. The department is responsible for developing the Region's budget using inputs provided by staff directors and NAVRESCEN Commanding Officers, and monitoring the execution of the Region's financial plan within the constraints of the

policies and procedures mandated by higher authority and the priorities established by the Readiness Commander. (COMNAVSURFRESFORINST 5400.2B, 1996, pg. IX-1)

1. Comptroller Department Organization Chart

The Comptroller Department consists of six personnel assigned to execute overall budgetary policy guidance provided by COMNAVRESFOR and COMNAVSURFRESFOR. The department consists of a Comptroller, Budget Analyst, Leading Budget Assistant and three Budget Assistants (Figure 3.5). (COMNAVSURFRESFORINST 5400.2B, 1996, pg. IX-1)

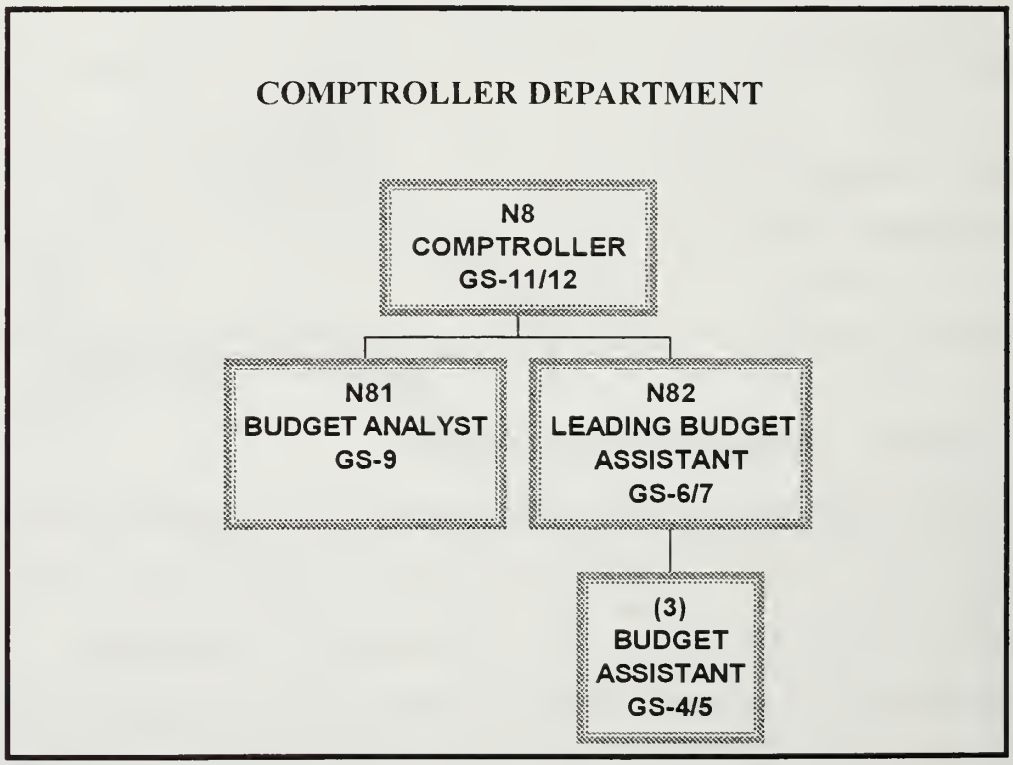

Figure 3.5: Comptroller Department Organization Structure

2. Comptroller Department Tasks and Functions

The Comptroller (N8) is the chief financial advisor to the Readiness Commander and is responsible for:

a. Executing overall budgetary policy guidance.

b. Accountable for properly recording and overseeing the expenditure of all funds, primarily Operation and Maintenance, Naval Reserve and Reserve Program Navy within the Region.

c. Monitors all contracts, leases, and interservice support agreements to protect the command's fiduciary interests.

e. Conduct assessments of all financial records in the Region.

f. Formulates and submits annual budget and program objective memorandum inputs to the Readiness Commander for submission to COMNAVRESFOR and COMNAVSURFRESFOR.

g. Oversees personnel in the Comptroller directorate to ensure that all task are properly conducted.

The Budget Analyst (N81) functions include budget analysis, including formulation, justification, presentation, and/or execution of a portion of an organizations budget. This work requires knowledge and skill in the application of related laws, regulations,

polices, precedents, methods and techniques of budgeting. (COMNAVSURFRESFORINST 5400.2B, 1996, pg. IX-1)

Lead Budget Assistant (N82) provides internal control of allotted operation and maintenance funds and performs a variety of duties as Lead Budget Assistant in connection with budgeting, accounting, and maintaining control of funds. This position leads three GS-4/5 Budget Assistants. (COMNAVSURFRESFORINST 5400.2B, 1996, pg. IX-3)

The three Budget Assistants serve as a source of budgetary information for a wide variety of appropriated fund accounts. They provide up-to-date budgetary information on a wide variety of guidelines and procedures applicable to appropriated funds. (COMNAVSURFRESFORINST 5400.2B, 1996, pg. IX-4)

H. SUMMARY

Since the establishment of the Naval Reserves in 1915, there have been numerous changes to the infrastructure including the number of Operating Budget holders (REDCOMs). The current alignment of ten Operating Budget holders were formed in 1996 after the latest rounds of Base Realignment and Closure (BRAC) completion. With cuts in infrastructure recommended by the Quadrennial Defense Review, the number of Operating Budget holders within the Naval Surface Reserve Force may become smaller.

IV. METHODOLOGY

A. INTRODUCTION

This chapter discusses the research methods utilized to determine if the current ten Naval Reserve Readiness Command's Comptroller Departments (Operating Budget holders) can be reduced. This thesis research included three areas: a literature search, a written questionnaire, and interviews.

The first method used consisted of archival research. A literature review was conducted to include prior Naval Postgraduate School theses, GAO audit reports, DoD Financial Management Regulations, Quadrennial Defense Review 1997, Base Realignment and Closure (BRAC) reports, Department of the Navy FY 1997 Budget, financial briefings, and various other publications. These works laid the foundation for understanding the various elements associated with reducing force infrastructure while preserving efficiency and effectiveness.

The second method used was a written questionnaire. A questionnaire was developed and distributed to 50% (five of ten) comptrollers in COMNAVSURFRESFOR claimancy. The questionnaire was distributed and completed by comptrollers from REDCOMs 8, 11, 13, 16, and 22. The questionnaire provided information on the functions, task requirements,

task workloads, and structure requirements of REDCOM comptroller departments. Data from the questionnaire provided insight into the possible excess capacity within the comptroller departments.

The third method used was interviews with key personnel. Interviews were conducted with personnel assigned to COMNAVRESFOR, COMNAVSURFRESFOR, REDCOM Comptroller organizations, and Defense Finance and Accounting Service (DFAS). These interviews focused on restructuring /reorganization issues, manpower requirements, DFAS operating procedures, and comptroller task requirements. Several telephone interviews were conducted and generated a deeper understanding of the functions and procedures within these organizations. Oral interviews were used to expand the researcher's knowledge base of comptroller issues in the Naval Reserve. A copy of the survey is contained in Appendix A.

B. STRENGTHS AND DEFICIENCIES OF RESEARCH METHODOLOGY

No research method is perfect. In fact it is possible to critique any research effort. The objective is therefore to select the best methodology for the circumstances and be able to justify that choice in the light of available options.

1. Opinion Research

Two of my research techniques, interviews and a questionnaire, are included in this research category.

a. Advantages

The salient advantage of opinion research is its ability to capture people's impressions - about themselves, their environments, and their response to changing conditions. It is well-known that perceptions differ from reality, and that a person's beliefs and expectations influence his own behavior and his attitudes toward behavior of others. (Buckley, 1976, pg. 35)

Opinion research's strategy is best suited to futures research, where opinions are substituted for non-realities. This research method was used because it provided a high degree of congruence with my research objective (determine if REDCOM Controller Departments could be reduced in the future).

b. Disadvantages

Deficiencies also exist in conducting opinion research. A major criticism of interviews and questionnaires is the bias which is introduced in the design of the survey instruments, i.e., that the researcher defines the questions, the response sets, decides who will

participate, and when and under what conditions they will participate. (Buckley, 1976, pg. 35)

c. Overcoming the limitations

In designing the interview questions and questionnaire my goal was to overcome or limit the impact of the deficiencies discussed above. To maximize the efficiency and accuracy of the interview and questionnaire, several strategies were used:

- Establish an interview time/place in advance.
- Develop open-ended questions and send them in advance of the interview to the interviewee.
- To remove bias in questionnaire development, ask outside source with no vested interest in the results to review questions for possible bias inferences.
- Random selection of the questionnaire participants by an outside source.

2. Archival Research

This research method consisted of original documents and official files; or data abstracted from these documents and official files. Archival research was conducted to gather pertinent information and validate the information gathered from the opinion research.

a. Advantages

Archival research is best suited to the analysis of data in documents, official files, and records. This method allowed research of historical analysis and provided "hard" evidence for my thesis.

b. Disadvantages

By using many of the resources available on restructuring/reorganization and infrastructure reduction, this thesis used an informal archival research methodology to obtain a large quantity of condensed factual information. There are several problems associated with this type of informal archival research. Quoting from *Research Methodology & Business Decisions* (Buckley, 1976, pg. 45), some of the pitfalls include:

- Selective depositing
- Selective survival
- Selective retrieval
- "Filling in the gaps"
- Biases inherent in the researcher, such as preference for authorities which agree with me.

Even with these potential drawbacks, archival research carries the advantage of allowing the researcher to acquire and analyze a significant amount of condensed information.

C. DESCRIPTION OF QUESTIONNAIRE

The purpose of the questionnaire was to broaden my knowledge of the Comptroller Department's functionalites and collect information on the current and prospective departmental workloads. The questionnaire (Appendix A) was distributed and completed by comptrollers from REDCOMs 8, 11, 13, 16, and 22. Appendix A requested information on the functions, task requirements, task workloads, and structure requirements of REDCOM comptroller departments. This data provided insight into the possible excess capacity within the Comptroller Departments.

1. Task Assignments

COMNAVSURFRESFORINST 5400.2B delineates task requirements for completion by financial personnel assigned to OB holder's Comptroller Departments. Appendix A contains seven of the most commonly completed tasks of the Comptroller Department. To ensure validity, the Comptrollers were each asked to verify and confirm the seven tasks that were the most commonly completed by them. The seven tasks include:

- **Task 1:** Recording and overseeing the expenditure of all funds, primarily Operations and Maintenance Navy Reserve (OMN&R) and Reserve Personnel Navy (RPN) within the region

- **Task 2:** Completing reporting requirements for executing budgetary policy guidance provided by COMNAVRESFOR and COMNAVSURFRESFOR
- **Task 3:** Monitoring contracts, leases, and interservice support agreements
- **Task 4:** Conducting financial assessments of records within the region
- **Task 5:** Formulating, submitting and revising annual budgets
- **Task 6:** Ensuring proper execution of funds
- **Task 7:** Overseeing personnel in the Comptroller directorate

2. Financial Personnel Assigned

Figure 4.1 outlines the personnel assigned to the Comptroller Department.

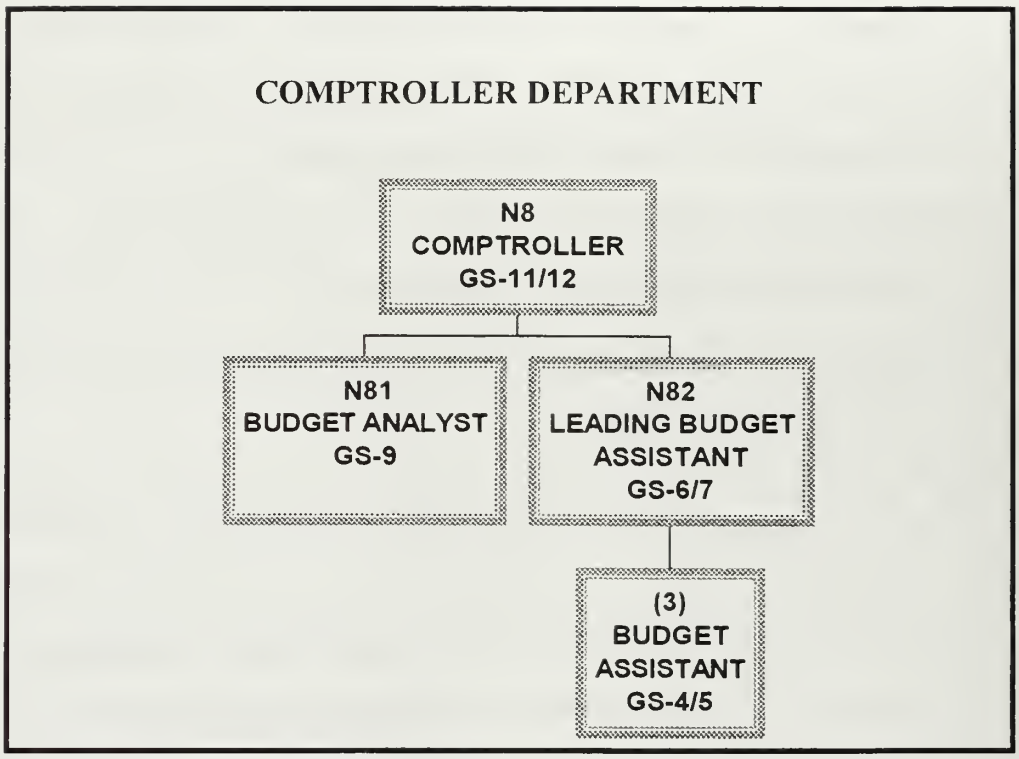

Figure 4.1: Comptroller Department

3. Questionnaire Completion

The questionnaire was distributed to the Comptrollers from REDCOMs 8, 11, 13, 16, and 22. They were asked to complete the % (percent) time consumed by each staff member on the seven tasks. The percentage of the time consumed in completing these seven tasks were then converted into the number of hours per month for data analysis.

D. SUMMARY

This chapter explained the method and logic used in the preparation of and actual gathering of data. All research methods have its strengths and deficiencies, however the

deficiencies in this thesis were minimized by using more than one methodology to obtain data. Using a balanced approach of research methods, opinion and archival research, produced valuable data which will be analyzed and discussed in the following chapter.

V. DATA PRESENTATION AND ANALYSIS

A. INTRODUCTION

This chapter discusses and presents a series of survey questions with analysis and discussion on the responses offered. The questions were used to assess the opinions of the REDCOM Comptroller Department's functions, task requirements, task workloads, and structure requirements. Data from the questionnaire provided insight into the possible excess capacity within the Comptroller Departments. Tasks discussed in the questionnaire are explained in chapter IV and contained on page 1 of Appendix A. Questions and data provided by Comptrollers from REDCOMs 8, 11, 13, 16, and 22 are contained in Appendix A.

B. DATA ANALYSIS

1. Question 1: Current Staff Level

What is the current work assignment pattern?

a. Current Work Assignment Pattern (Total)

Figure 5.1 outlines the results of the data collected from the five REDCOMs. The first chart displays the percentage of average hours/month/task currently consumed by the seven tasks. The second chart displays the current (960 hours available) average hours/month consumed by each task. The following observations are noted:

- Task 1 consumes over 55% of total hours/month.
- Tasks 1 and 2 combined consumes 70%, or 668 of 960 available hours/month.

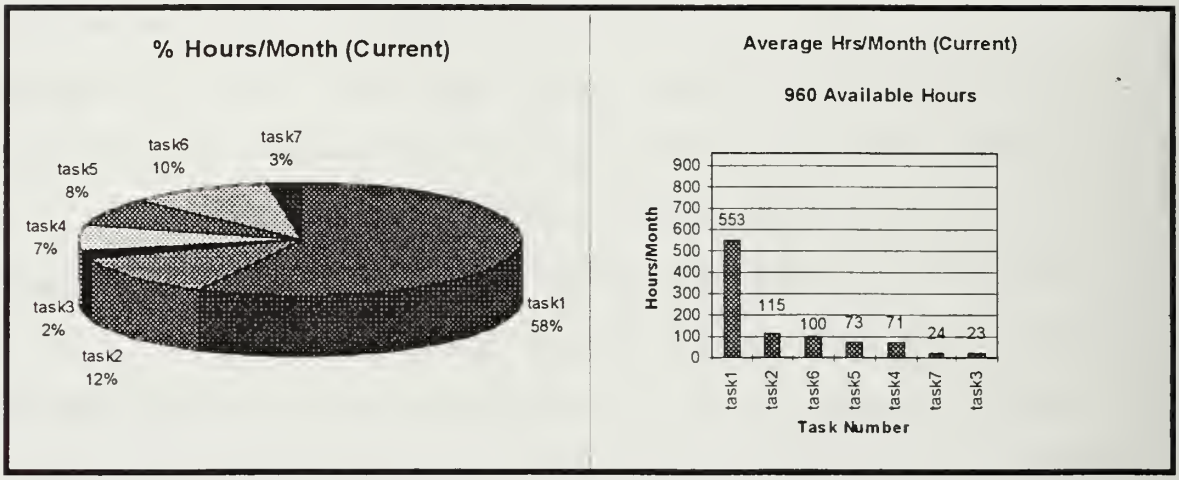

Figure 5.1: Current Work Assignment Pattern (Total)

b. REDCOMs Current Work Assignment Pattern

Figure 5.2 outlines the individual results of each REDCOM. Each chart displays the percentage of hours/month (960 hours available) per task currently consumed on the seven tasks. The following observations are noted:

- Task 1 consumes over 50% of total hours/month for each REDCOM except REDCOM 11, however, the combined totals of Task 1 and Task 2 vary little among the five REDCOMs.
- Tasks 3 and 7 consumes less hours/month to accomplish than other tasks in all five REDCOMs.

- REDCOMs 8 and 22 have similar work assignment patterns while REDCOMs 11, 13 and 16 work patterns slightly differ.

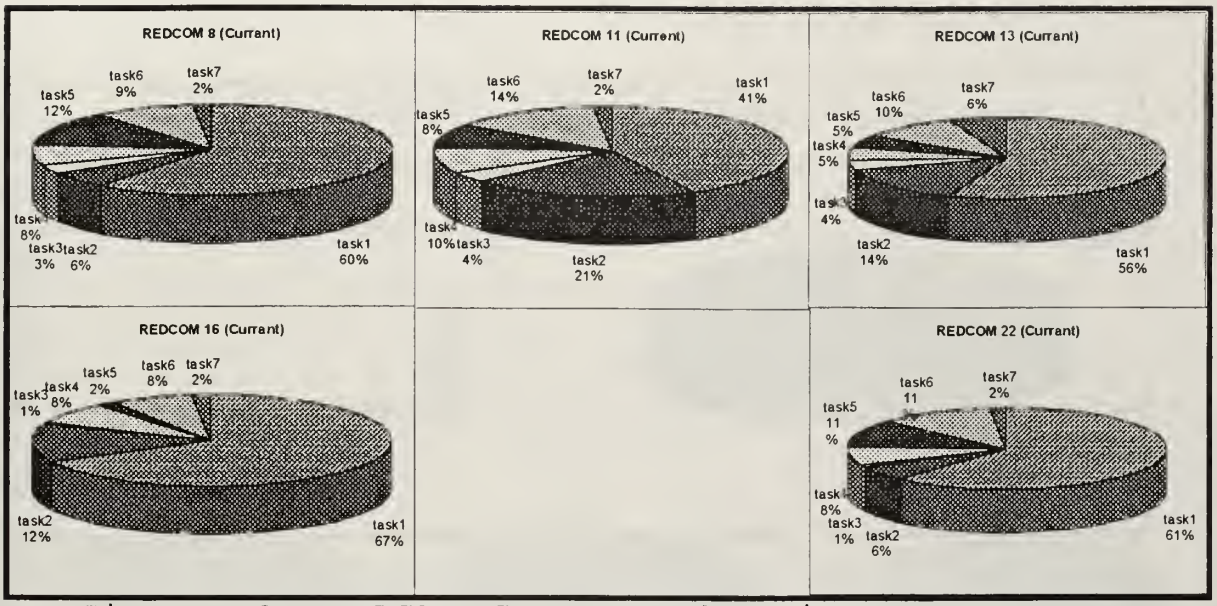

Figure 5.2: REDCOMs Current Work Assignment Pattern

2. Question 2: One Person Reduction

What is the prospective work assignment pattern when work hours/month is reduced by 16.7% (one person)?

a. Prospective Work Assignment Pattern (16.7% Reduction)

Figure 5.3 outlines the results of the data collected from the five REDCOMs. The first chart displays the percentage of average hours/month per task consumed on the seven tasks. The second chart displays the average hours/month (800 hours available) consumed by each task. The following observations are noted:

- Man hours spent in each task declined, however, major reductions occurred in Task 1.
- Task 1 declined by 125 hours, and the share declined from 58% to 54%.

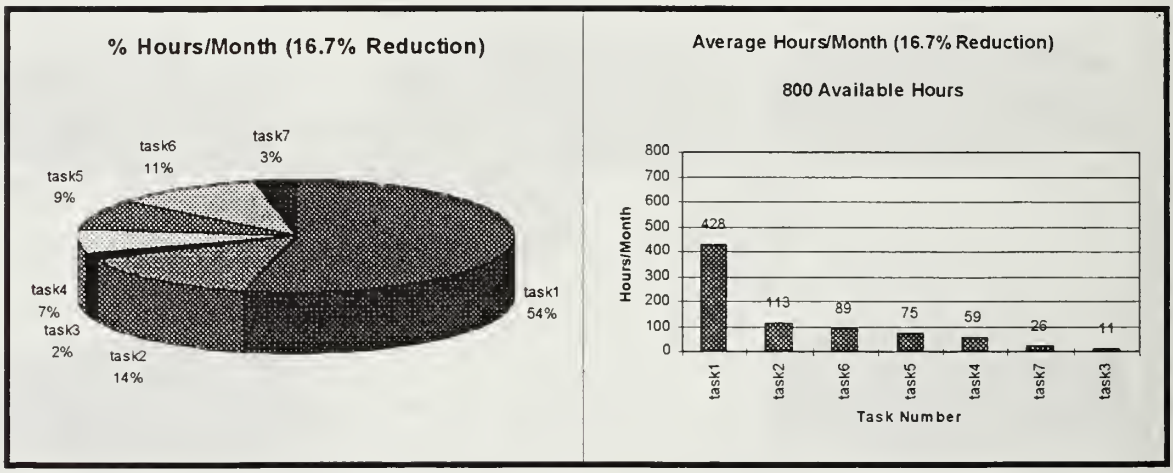

Figure 5.3: Prospective Work Assignment Pattern 16.7% Reduction (Total)

b. REDCOMs Prospective Work Assignment Pattern (16.7% Reduction)

Figure 5.4 outlines the individual results of each REDCOM. Each chart displays the percentage of hours/month (800 hours available) per task consumed on the seven tasks. The following observations are noted:

- Task 1 consumes over 50% of total hours/month for each REDCOM except REDCOM 11.
- Task 1 hours/month increased from 41% (current) to 43% (16.7% reduction) in REDCOM 11 but decreased in the remaining four REDCOMs.

- REDCOMs 8, 16 and 22 reduced hours/month to complete Task 3 to zero. This indicate Task 3 becomes a lower priority task function when reduction occurs.
- Task 3 and 7 consumes less hours/month to accomplish than the other tasks in all five REDCOMs.
- REDCOMs 8 and 22 have similar work assignment patterns while REDCOMs 11, 13 and 16 work assignment patterns slightly differ.

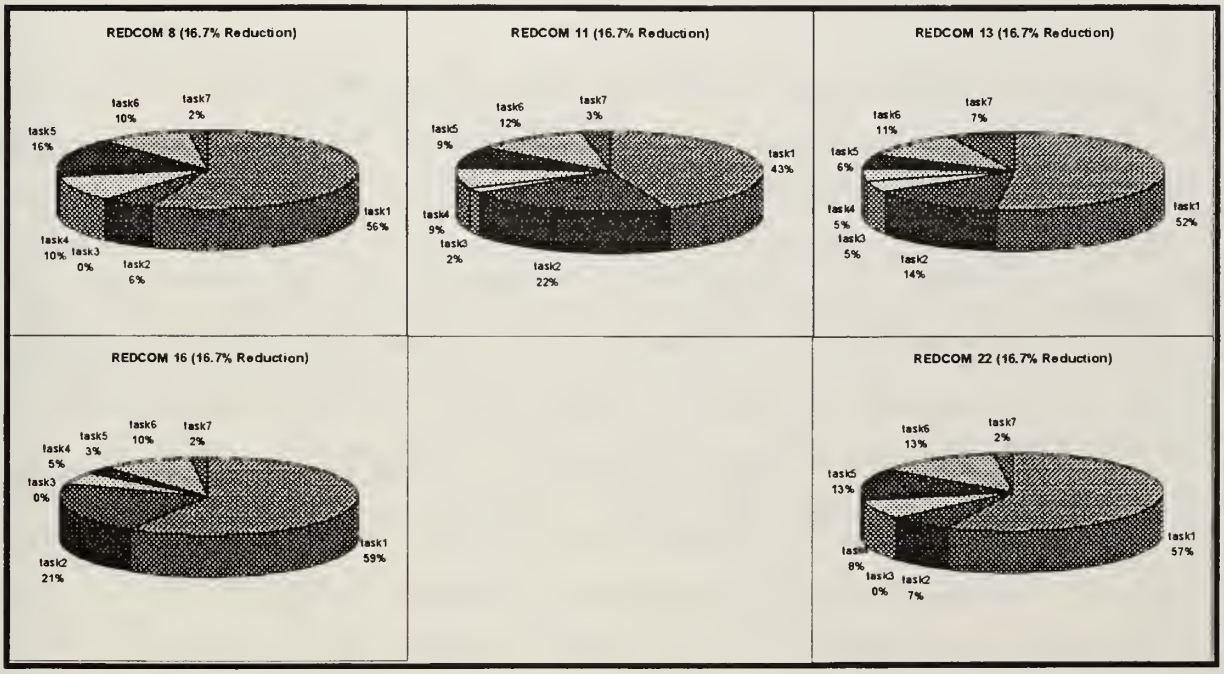

Figure 5.4: REDCOMs Prospective Work Assignment Pattern 16.7% Reduction

3. Question 3: Two Person Reduction

What is the prospective work assignment pattern when work hours/month is reduced by 33.3% (two personnel)?

a. Prospective Work Assignment Pattern (33.3% Reduction)

Figure 5.5 outlines the results of the data collected from the five REDCOMs. The first chart displays the percentage of average hours/month per task consumed on the seven tasks. The second chart displays the reduction (640 hours available) of average hours/month consumed by each task. The following observations are noted:

- The general pattern of the reduction is similar to the one person (16.7%) reduction.
- Specifically, the man-hour consumption has declined for each task with the biggest reduction occurring for Task 1.
- Tasks 1's man-hour consumption decreased by 75 hours/month. However, its relative share increased from 54% to 56% in comparison to the previous 16.7% reduction. This suggests, in contrast to the 16.7% reduction, increased difficulty in meeting the staff reductions by a cutback to Task 1 alone.

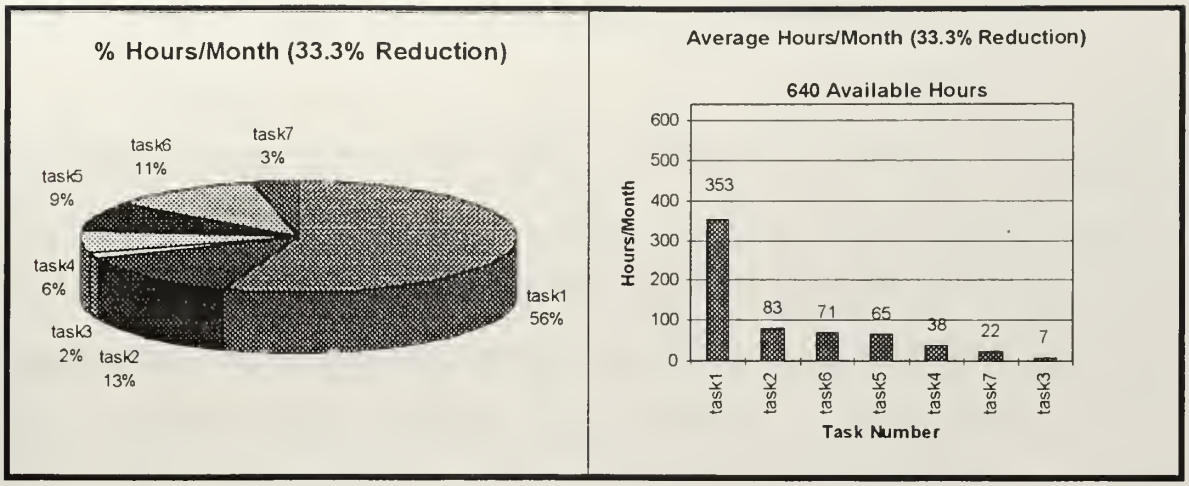

Figure 5.5: Prospective Work Assignment Pattern 33.3% Reduction (Total)

b. REDCOMs Prospective Work Assignment Pattern (33.3% Reduction)

Figure 5.6 outlines the individual results of each REDCOM. Each chart displays the percentage of hours/month (640 hours available) per task consumed on the seven tasks. The following observations are noted:

- Task 1 consumes over 50% of total hours/month for REDCOMs 8, 13, and 22. This is a high priority task function.
- Task 1 hours/month increased in REDCOMs 8, 13, and 22. A decrease occurred in Task 1 for REDCOMs 8, 13, and 22 when the work assignment pattern was reduced from current to 16.7%. This new increase could be attributed to the department beginning to

focus available resources on the high priority task (Task 1).

- REDCOMs 8, 16 and 22 reduced hours/month to complete Task 3 to zero. This indicates Task 3 becomes a lower priority task function when reduction occurs.
- REDCOMs 8, 13 and 22 have similar work assignment patterns. REDCOMs 16 and 11 have similar work assignment patterns.

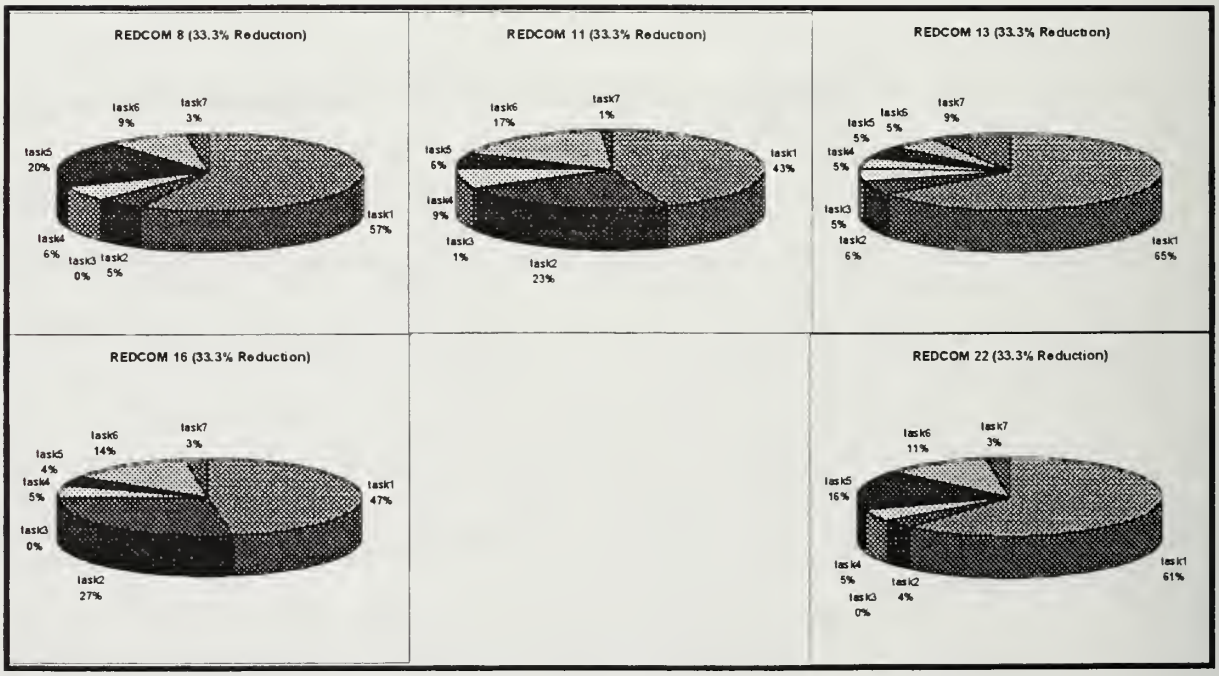

Figure 5.6: REDCOMs Prospective Work Assignment Pattern 33.3% Reduction

4. Question 4: Three Person Reduction

What is the prospective work assignment pattern when work hours/month is reduced by 50% (three personnel)?

a. Prospective Work Assignment Pattern (50% Reduction)

Figure 5.7 outlines the results of the data collected from the five REDCOMs. The first chart displays the percentage of average hours/month per task consumed on the seven tasks. The second chart displays the reduction (480 hours available) of average hours/month consumed by each task. The following observations are noted:

- In contrast to earlier reductions, most of the reductions now come from tasks other than Task 1. This suggests both the importance of Task 1 activity to the REDCOM, and the realization of the minimum required staffing level.
- Task 1 is reduced by 11 hours/month, while the combined reductions from other tasks amount to 149 hours/month.

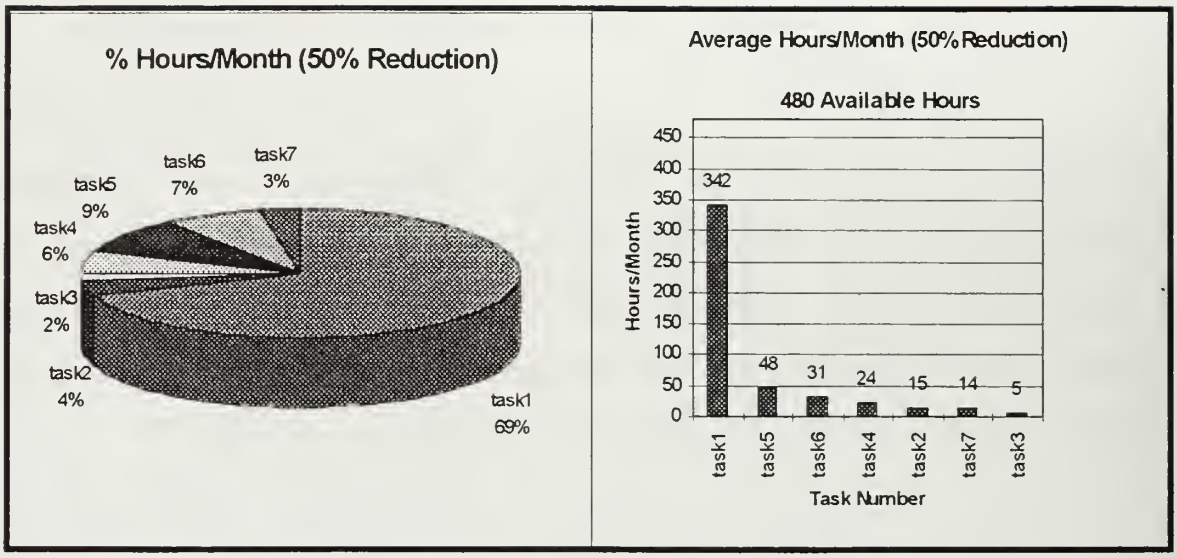

Figure 5.7: Prospective Work Assignment Pattern 50% Reduction (Total)

b. REDCOMs Prospective Work Assignment Pattern (50% Reduction)

Figure 5.8 outlines the individual results of each REDCOM. Each chart displays the percentage of hours/month (480 hours available) per task consumed on the seven tasks. The following observations are noted:

- Task 1 consumes over 55% of total hours/month for all REDCOMs. This indicates Task 1 is a high priority task function.
- Task 1 hours/month increased in all REDCOMs. This increase is attributed to the department focusing available resources on the high priority task (task 1).

- REDCOMs 8, 16 and 22 reduced hours/month to complete Task 3 to zero. This indicates Task 3 becomes a lower priority task function when reduction occurs.
- When a 50% reduction occurs, low priority is placed on completing all tasks except Task 1. This data indicates that the REDCOMs are neglecting the other tasks to accomplish Task 1. The REDCOMs have difficulty remaining efficient and effective when a 50% reduction occurs.
- REDCOMs 8, 13, 16 and 22 have similar work assignment patterns.

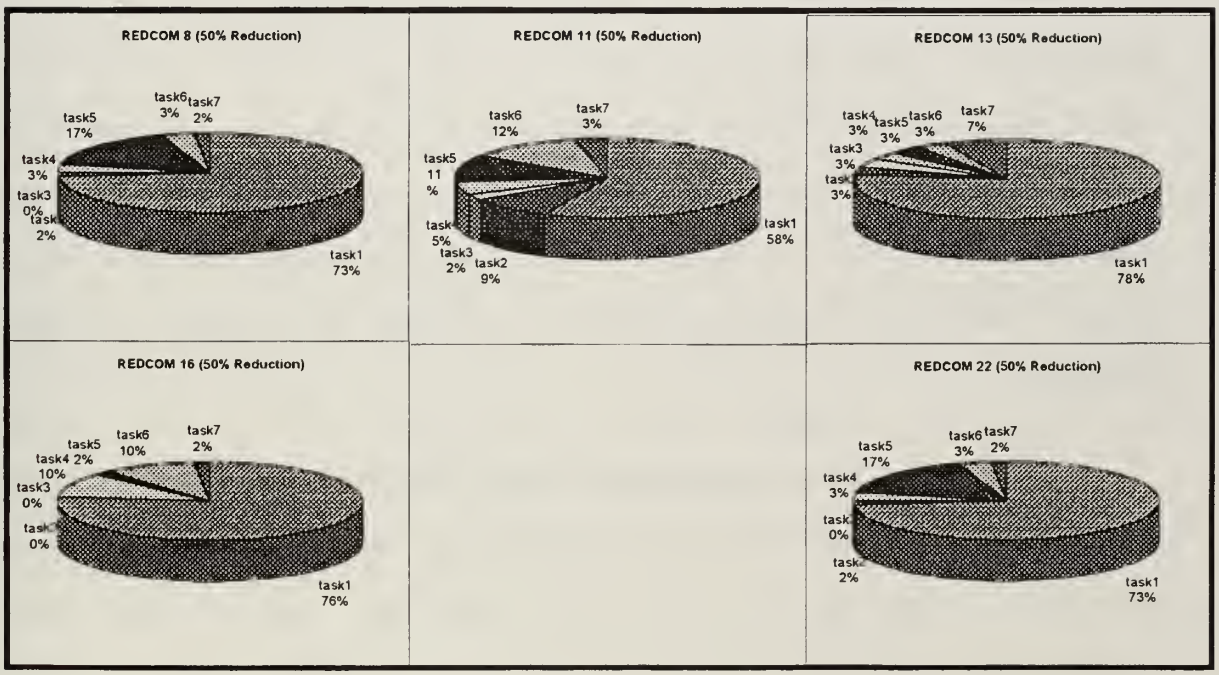

Figure 5.8: REDCOMs Prospective Work Assignment Pattern 50% Reduction

5. Question 5, 6 and 7: Additional Reserve Centers

What is the prospective work assignment pattern if five, ten or fifteen additional Reserve Centers are added to your region (can be greater than 100% and can add additional personnel)?

The objective of this question was to examine how additional Reserve Centers affected the efficiency and effectiveness of the Comptroller Departments. The analysis in this area will be used to corroborate and compare the findings of the personnel reductions. Additionally, the questions provided insight into the possible excess capacity within the Comptroller Departments.

Each REDCOM's existing staff level includes six personnel. Each person works 40 hours per week. Therefore, the total monthly hours per REDCOM is 960 hours. A combined total of 4800 hours is available for all five REDCOMs together (960*5). Figure 5.9 displays the results when five, ten and fifteen Reserve Centers are added to each REDCOM.

a. Five Additional Reserve Centers

The questionnaire responses and subsequent data analysis concluded that all REDCOMs could add five additional Reserve Centers without changing the current staffing levels.

b. Ten Additional Reserve Centers

Data analysis, based upon the same questionnaire results, indicates that a total of 5480 hours were required to complete the tasks efficiently and effectively. The 5480 hours resulted in a 680 hour increase over the original hours available (4800). The 680 hour increase distributed to the five REDCOMs equal to 136 additional hours/month per REDCOM. Figure 5.9 shows the requirement for almost one (.85) additional staff member necessary to maintain efficiency and effectiveness.

c. Fifteen Additional Reserve Centers

Data analysis, based upon the same questionnaire results, indicates that a total of 5880 hours were required to complete the tasks efficiently and effectively. The 5880 hours resulted in a 1080 hour increase over the original hours available (4800). The 1080 hours increase distributed to the five REDCOMs equal to 216 additional hours/month per REDCOM. Figure 5.9 shows the requirement for slightly more than one (1.35) additional staff member necessary to maintain efficiency and effectiveness.

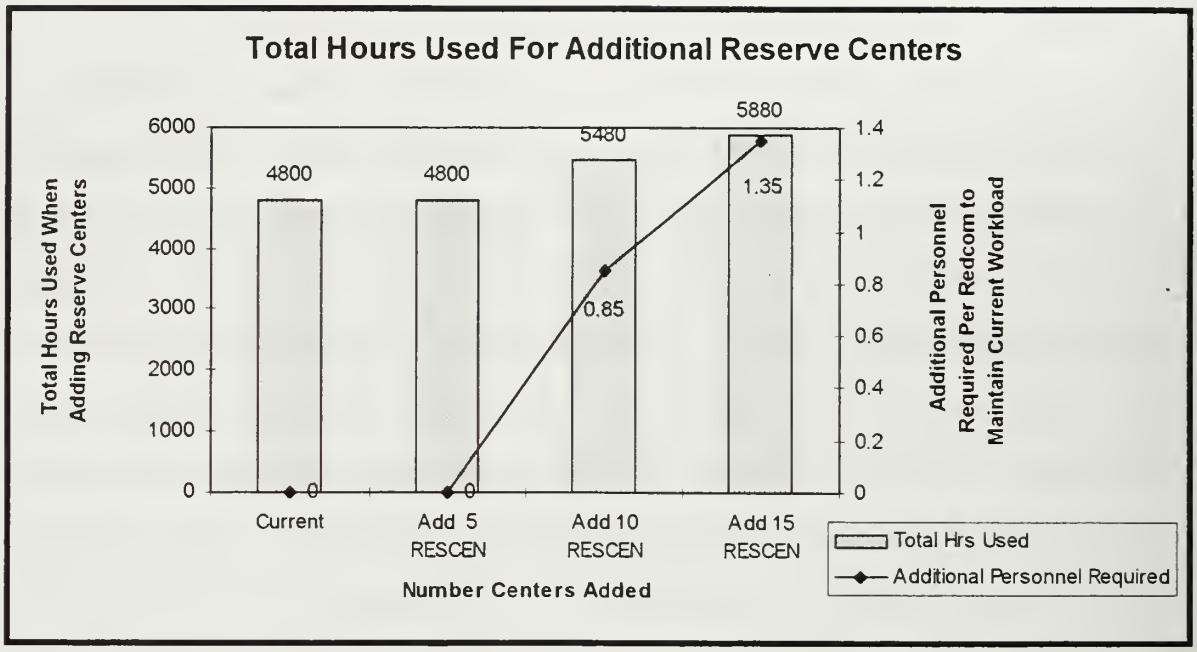

Figure 5.9: Total Hours Used For Additional Reserve Centers

6. Question 8: Billet Elimination

Which billet would you eliminate if you had to reduce staff manning levels to five personnel?

Readiness Command (REDCOM)	*Billet Assignment*
REDCOM 8	BUDGET ASSISTANT (GS 5)
REDCOM 11	BUDGET ASSISTANT (GS 5)
REDCOM 13	BUDGET ASSISTANT (GS 5)
REDCOM 16	BUDGET ASSISTANT (GS 5)
REDCOM 22	BUDGET ASSISTANT (GS 5)

Figure 5.10: Billet Elimination

7. Question 9: Geographic Location

Does geographical location affect financial oversight of subordinate Reserve Centers?

Readiness Command (REDCOM)	*Affected by Location*
REDCOM 8	No
REDCOM 11	No
REDCOM 13	No
REDCOM 16	No
REDCOM 22	No

Figure 5.11: Geographic Location

8. Question 10: Reserve Center Size

Does the size of subordinate Reserve Centers increase your departments workload?

Readiness Command (REDCOM)	*Affected by Size*
REDCOM 8	No
REDCOM 11	No
REDCOM 13	No
REDCOM 16	No
REDCOM 22	No

Figure 5.12: Reserve Center Size

9. Question 11: Maximum Number Reserve Centers

What is the maximum number of Reserve Centers that can effectively and efficiently managed by your Comptroller Department?

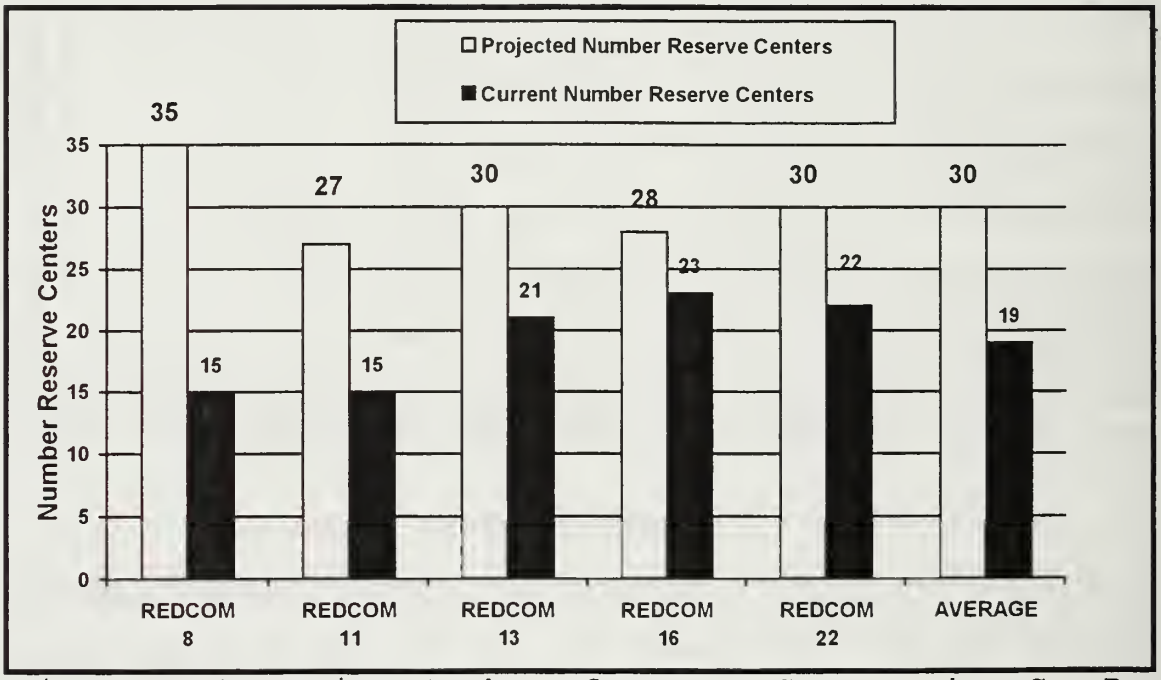

Figure 5.13: Maximum Number of Reserve Centers that Can Be Effectively Managed

REDCOMs 8 and 11 have the least number of Reserve Centers to manage. REDCOMs 13, 16, and 22 have the largest amount Reserve Centers to manage. Although both REDCOMs (8 and 11) manage the same number of Reserve Centers, their responses to the maximum number of Reserve Centers were different. REDCOM 8 had an optimistic response while REDCOM 11 had a pessimistic response. The three REDCOMs with the largest number of Reserve Centers responded similarly.

10. Question 12: OB Holder Reduction

Do you feel the Operating Budget holders can be reduced and continue to perform functions efficiently and effectively?

Readiness Command (REDCOM)	*Response*
REDCOM 8	**Yes**
REDCOM 11	**Yes**
REDCOM 13	**No**
REDCOM 16	**Yes**
REDCOM 22	**Yes**

Figure 5.14: OB Holders Reduction

C. COST VARIABLES

1. Operations and Maintenance Naval Reserve (O&MNR) Budget Allotments

O&MNR allotment is decentralized to the REDCOMs as the OB holders. Reserve Personnel Navy (RPN) allotment is centralized and is controlled at the RESFOR level. The O&MNR allotment provides funds for the day to day operations and maintenance of Naval Reserve Forces. Accounts within this allotment include fuel, supplies, contracts for maintenance of equipment and facilities, civilian personnel salaries and benefits, contract berthing, Temporary Additional Duty (TAD), and weapons and equipment repair parts. (R-07A-0010, 1997, pg. 4-2-4)

2. The DFAS FEE

In order to have the O&MNR allotment decentralized to the REDCOMs, the Reserves incur a cost. DFAS charges RESFOR a billing fee for overhead to distribute this allotment to various lower level OB holders. COMNAVSURFRESFOR OB holders are the ten REDCOMs.

The following is a break down of the formula used in figuring the total cost charged to RESFOR for having the O&MNR allotment lowered to the REDCOM level:

(# of Subheads)*(# of Months)*(# of Years)*(Billing Rate) = DFAS Fee

- **Subhead** - One subhead per REDCOM OB holders (10 total)
- **Months** - 12 months for the year.
- **Years** - Six active years = Calendar Year plus five previous years.
- **Billing Rate** - The DFAS billing rate is $2475 dollars.

10*12*6*2475 = 1,782,000

The 1,782,000 dollars is the fee that RESFOR must pay DFAS each year in order to have the O&MNR allotment decentralized to the ten REDCOM OB holders. The fee goes up as the billing rate increases each year or the number of OB

holders or the billing rate must decrease. (Murach, 1997, pg. 31)

3. Staff Salaries

The Comptroller Department consists of six personnel assigned to execute overall budgetary policy guidance provided by COMNAVRESFOR and COMNAVSURFRESFOR. The department consists of a Comptroller, Budget Analyst, Leading Budget Assistant and three Budget Assistants (Figure 5.15).

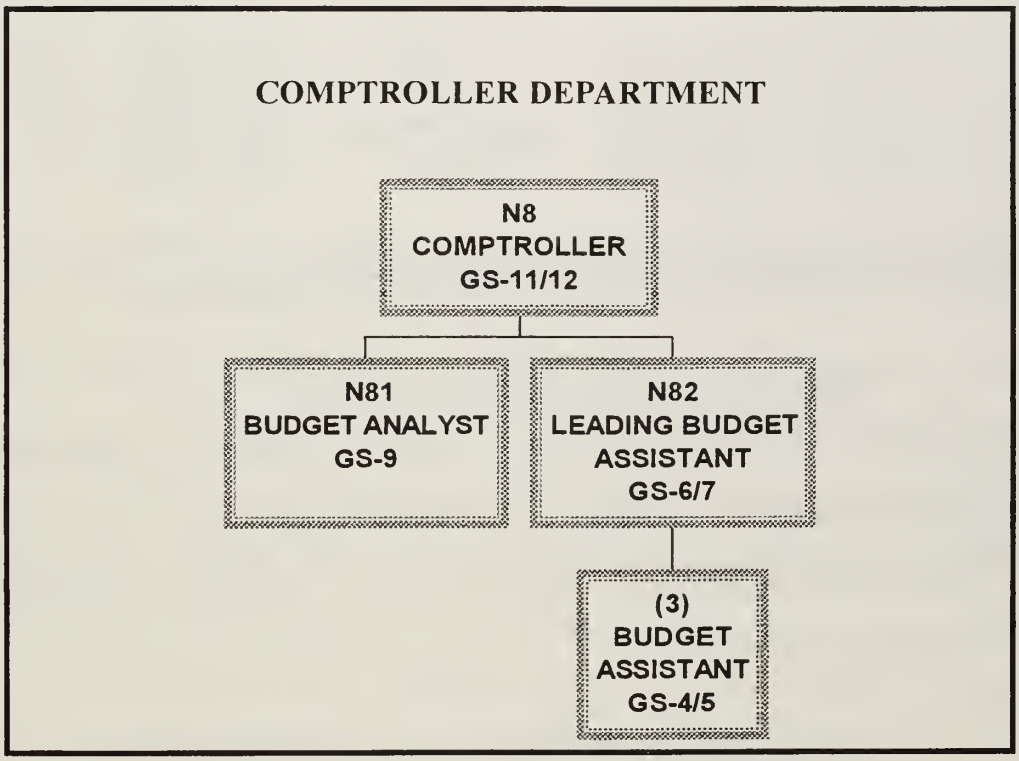

Figure 5.15: Comptroller Department

For purposes of this analysis, salaries (steps) for each grade will remain fixed at mid range (step 5) and does not include locality pay (regional) adjustments. In addition to their salaries, the civilian personnel receive fringe benefits. For purposes of analysis fringe benefits were costed at 20% of the base salary. The following salaries and benefits are contained in Figure 5.16.

Grade	Salary	Benefits	Salaries + Benefits
GS-12 (step 5)	$50,948	$10,190	$61,138
GS-9 (step 5)	$35,133	$7,027	$42,160
GS-7 (step 5)	$28,720	$5,744	$34,464
GS-5 (step 5)	$22,188	$4,438	$26,626
GS-5 (step 5)	$22,188	$4,438	$26,626
GS-5 (step 5)	$22,188	$4,438	$26,626
Total Salaries and Benefits: $217,640			

Figure 5.16: Salaries and Benefits

4. Average Number Reserve Centers

Figure 5.17 contain the total number of REDCOMs and Reserve Centers in COMNAVSURFRESFOR claimancy. For purpose of this analysis, an average of 17 Reserve Centers per REDCOM was computed:

$$\frac{172 \text{ Reserve Centers}}{10 \text{ REDCOMs}} = 17.2 \text{ (rounded down)} = 17$$

READINESS COMMANDS	*NUMBER RESERVE/READINESS CENTERS*
REDCOM ONE	18
REDCOM FOUR	15
REDCOM SIX	14
REDCOM EIGHT	15
REDCOM NINE	18
REDCOM ELEVEN	15
REDCOM THIRTEEN	21
REDCOM SIXTEEN	23
REDCOM NINETEEN	11
REDCOM TWENTY-TWO	22
Total Reserve Centers	**172**

Figure 5.17: Number REDCOMs and Reserve Centers

5. Excess Capacity

Data from the questionnaire provided insight into the excess capacity within the Comptroller Departments. This section will discuss the process for determining the excess capacity within the departments. The outcome of this data analysis will form the framework for answering the primary and secondary questions of the thesis.

To illustrate the excess capacity workload of staff personnel an analysis was conducted on the monthly workloads of the Comptroller, Budget Analyst, and Lead Budget Assistant. This analysis included computing the average (mean) number hours/month, standard deviation, and

coefficient of variation (standard deviation divided by mean) for the seven task. The coefficient of variation is a measure of relative dispersion and is used to compare dispersion of data that is in different units. A lower coefficient of variation is more desirable than a higher coefficient of variation.

a. Comptroller Workload

Figure 5.18 shows the Comptroller's workload distribution for the current structure, 16.7% reduction, 33.3% reduction and 50% reduction. The workload distribution levels for the current, 16.7% and 33.3% reduction are similar. However, when a 33.3% reduction occurs a significant increase occurs in Task 1. The distribution workload changes dramatically and a drastic increase in Task 1 occurred when a 50% reduction occurs from the current structure.

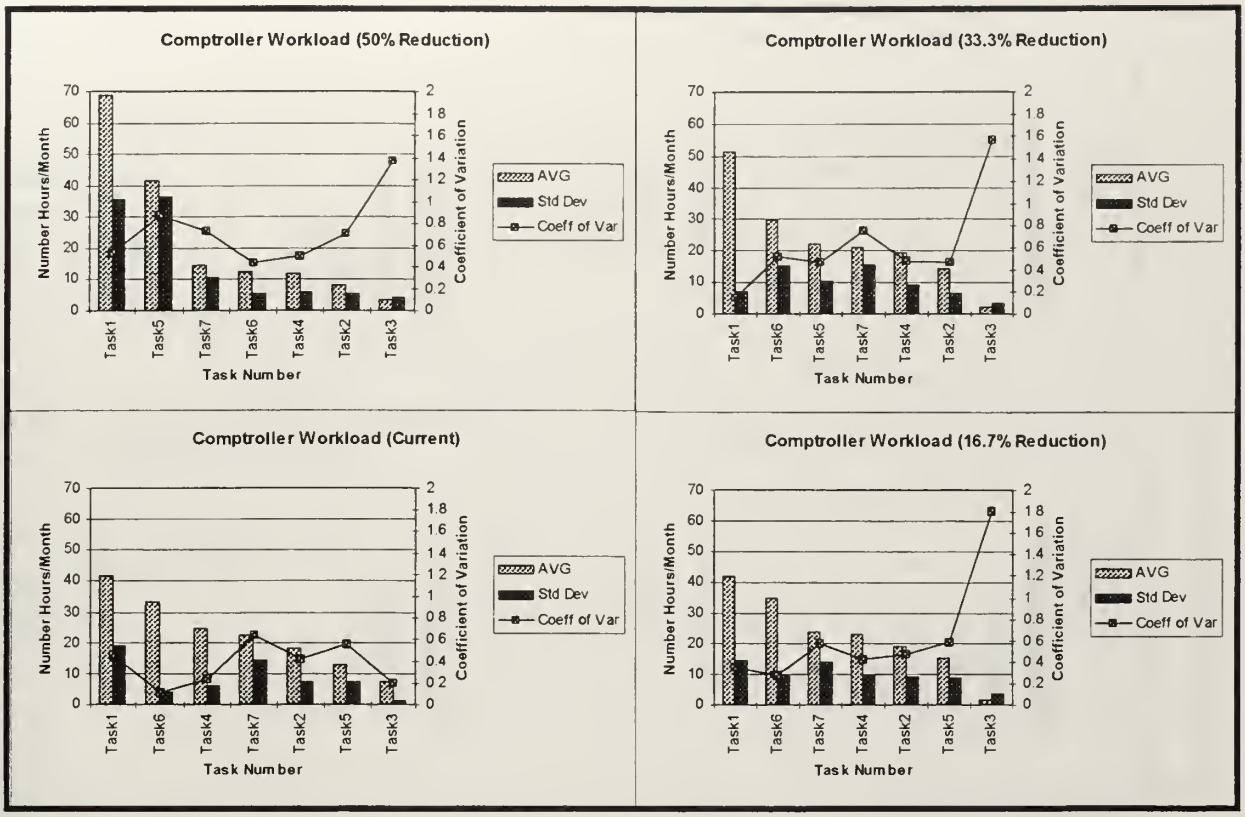

Figure 5.18: Comptroller Workload

b. Budget Analyst Workload

Figure 5.19 shows the Budget Analyst workload distribution for the current structure, 16.7% reduction, 33.3% reduction and 50% reduction. The workload distribution levels for the current, 16.7% and 33.3% reduction are similar. However, when a 33.3% reduction occurs a significant increase occurs in Task 1. The distribution workload changes dramatically and a drastic increase in Task 1 occurred when a 50% reduction occurs from the current structure.

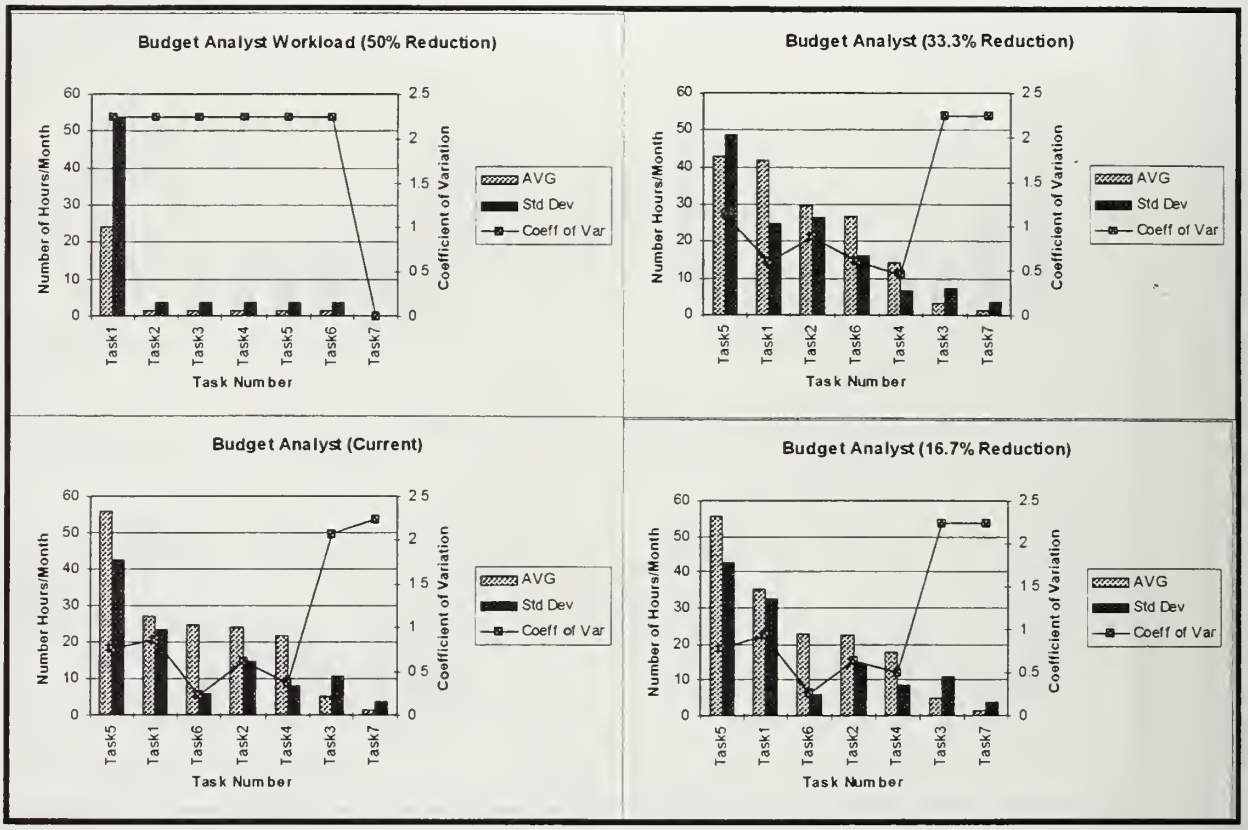

Figure 5.19: Budget Analyst

c. Lead Budget Assistant Workload

Figure 5.20 shows the Lead Budget Assistant workload distribution for the current structure, 16.7% reduction, 33.3% reduction and 50% reduction. The workload distribution levels for the current, 16.7% and 33.3% reduction are also similar. However, when a 33.3% reduction occurs a significant increase occurs in Task 1. The distribution workload changes dramatically and a drastic increase in Task 1 occurred when a 50% reduction occurs from the current structure.

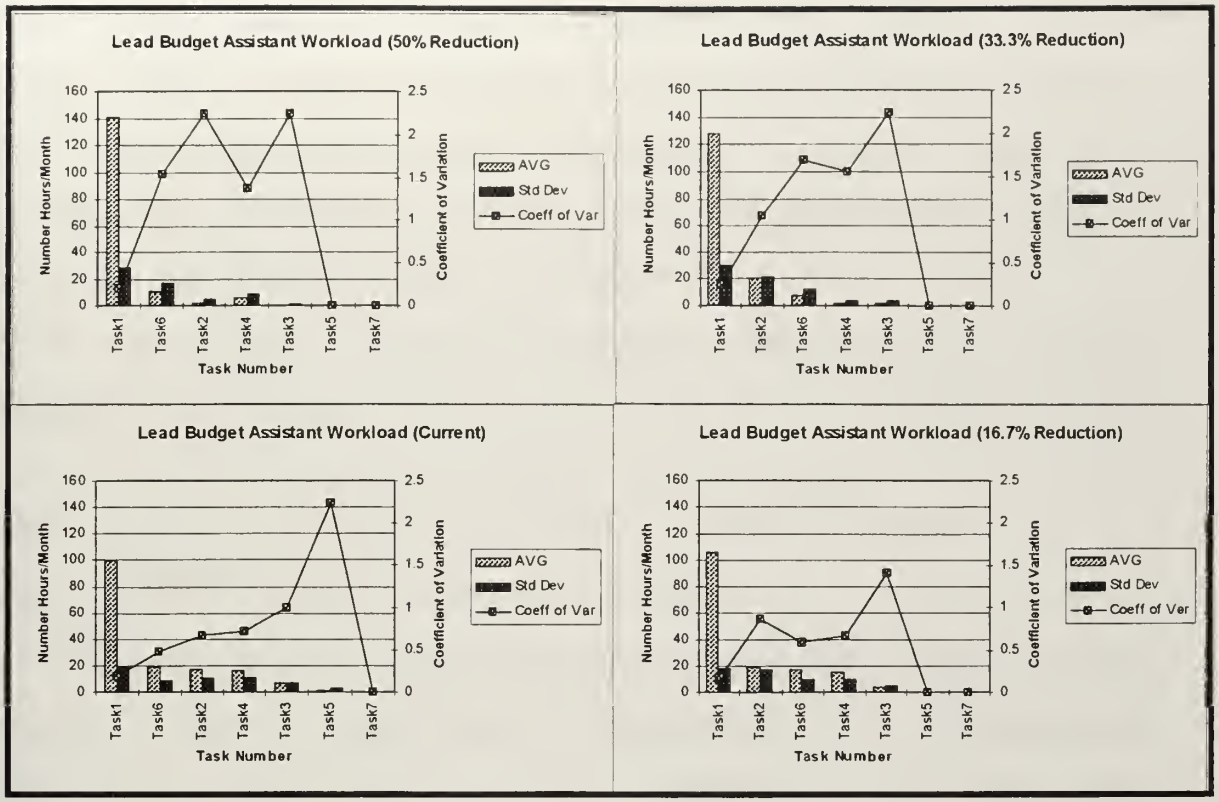

Figure 5.20: Lead Budget Assistant Workload

d. Workload Interpretation

The data for all three staff billets indicate excess capacity exists in the current structure and enough excess capacity exists to maintain effectiveness and efficiency if a one person reduction occurs. Effectiveness and efficiency is lost when two or three person reduction occurs.

Since the workload levels for the above three billets remained stable or constant when a one person reduction occurs, the additional workload distribution must be shifting between the three Budget Assistants. Therefore, for purposes of this analysis, the Comptroller, Budget Analyst, Lead Budget Assistant can be considered fixed billets and the Budget Assistants can be considered variable billets.

Enough excess capacity exists to absorb the workload when a one person reduction occurs. The three fixed billets and two variable billets (Budget Assistants) can maintain effectiveness and efficiency. Results of the data previously discussed in this chapter can be used to determine the number of Reserve Centers that can be effectively and efficiently managed. The following steps will be used to determine the number of Reserve Centers that can be effectively and efficiently managed:

- 172 Reserve Centers (Figure 5.17)
- Average of 17 Reserve Centers per REDCOM (PARA C.4)
- Due to excess capacity, five personnel (three fixed and two variable) can effectively and efficiently manage the current number Reserve Centers (172)
- Number Reserve Centers divided by variable billets equal number of Reserve Centers per billet

- 17 Reserve Centers divided by two variable billets equals 9 (8.5 round up) Reserve Centers per billet
- Therefore, the total number of Reserve Centers for three variable billets is equal to 26 Reserve Centers (17 plus 9)

Therefore, if the current Comptroller Department's workload was operating at full capacity, 26 Reserve Centers could be effectively and efficiently managed.

D. SUMMARY

The data presented confirmed that excess capacity exist within the Comptroller Department. Conclusions, recommendations and answering questions to the thesis research will be discussed in the following chapter. The foundation or framework for answering the thesis questions will be based on the premise that 26 Reserve Centers could be effectively and efficiently managed by each REDCOM Comptroller Department.

VI. CONCLUSIONS AND RECOMMENDATIONS

The research questions provided in chapter one will form the basis for the thesis conclusions, recommendations and research for further study. Questionnaire responses and results of data analysis will be discussed in addressing the primary and secondary research questions. Following this presentation, recommendations and areas for further research will be provided regarding the reduction of OB holders in COMNAVSURFRESFOR.

Chapter I presented the following primary question: What is the best structure of Naval Surface Reserve Force Operating Budget holders (comptroller organizations) while preserving efficiency and effectiveness of financial operations? Prior to answering the primary question, each secondary question will be addressed.

A. SECONDARY RESEARCH QUESTIONS

1. Question 1:

Can the number of Naval Surface Reserve Force Operating Budget holders (comptroller organizations) be reduced while preserving efficiency and effectiveness of financial operations?

a. Conclusion

Yes. Excess capacity exists in the Comptroller Departments. The existence of excessive capacity can be corroborated by comparing answers provided directly from the Comptrollers (via the questionnaire) and results from the analysis of the workload capacity of the departments.

Eighty percent of the five Comptrollers questioned responded that OB holders could be reduced without losing efficiency and effectiveness (CH V, PARA B.10, question 12). The results of the data analysis corroborates this opinion of the Comptrollers.

Analysis presented in the previous chapter shows that each OB holder has enough capacity to add at least nine more Reserve Centers. Therefore, the number of OB holders can be reduced from ten and still maintain its effectiveness and efficiency.

b. Recommendation

The data presented clearly show that OB holders can be reduced and remain effective and efficient. COMNAVSURFRESFOR should initiate procedures to reduce OB holders.

2. Question 2:

What is the cost savings of reducing Operating Budget holder's comptroller organizations?

a. Conclusion

The primary question provided two alternatives to reducing the number of OB holders (PARA B.1). This thesis will only address personnel and DFAS cost savings.

Current Staffing Levels. Naval Surface Reserve Force Operating Budget holders (comptroller organizations) could be reduced from ten to seven and continue to operate efficiently and effectively. The cost savings are as follow:

- **DFAS Fee (CH 5, PARA C.2):**

  $178,200 per REDCOM OB holders

- **Personnel Salaries/Benefits (Figure 5.16):**

  $217,640 per REDCOM OB holders

- **Cost Savings:**

  DFAS - $178,200*3 = $534,600

  Personnel - $217,640*3 = $652,920

  Total Savings = $1,187,520

One Additional GS-5. Naval Surface Reserve Force Operating Budget holders (comptroller organizations) could be reduced from ten to five (addition of one GS-5 Budget Assistant) and continue to operate efficiently and effectively. The cost savings are as follow:

- **DFAS Fee (CH 5, PARA C.2):**

$178,200 per REDCOM OB holders

- **Personnel Salaries/Benefits (Figure 5.16):**

  $217,640 per REDCOM OB holders

  $26,626 per GS-5 (Budget Assistant)

- **Cost Savings:**

  DFAS - $178,200*5 = $891,000

  Personnel - $217,640*5 = $1,088,200

  GS-5 - $26,626*5 = $133,130

  Total Savings (DFAS + Personnel - GS-5) = $1,846,070

b. Recommendation

Initiate OB holder reductions to realize cost savings.

3. Question 3:

What is the best way to consolidate Operating Budget holder's comptroller organizations?

a. Conclusion

The survey results suggest that geographical location of subordinate Reserve Centers had no affect on financial oversight. Additionally, the size of subordinate Reserve Centers had no affect on the departments' workload.

b. Recommendation

Location and size have no affect on financial oversight by the REDCOMs. COMNAVSURFRESFOR should conduct a study to determine other variables, outside of this thesis, that would influence the consolidation of Reserve Centers under a particular Operating Budget holder.

4. Question 4:

How many Reserve Centers can an Operating Budget holder's comptroller organization manage efficiently and effectively?

a. Conclusion

With current staff levels, capacity exists for an additional nine Reserve Centers per REDCOM. The addition of one GS-5 will allow for capacity to manage an additional eighteen Reserve Centers.

The Comptrollers' direct responses from the questionnaire conveyed their opinion that the number of Reserve Centers that could be effectively and efficiently managed ranged from 27-35. The average number was 30 Reserve Centers. With an average of 30 Reserve Centers and a baseline of 17 Reserve Centers per REDCOM, the Comptrollers' believed that their departments could manage an additional 13 Reserve Centers. However, the data

analysis concluded that an additional 9 Reserve Centers could be added to each REDCOM.

A four Reserve Center difference exists. The conservative approach will be used to conclude that each REDCOM could consume nine additional Reserve Centers.

b. Recommendation

COMNAVSURFRESFOR should use a baseline of nine additional Reserve Centers when calculating the optimal number of additional Reserve Centers an Operating Budget holder's comptroller organization can manage efficiently and effectively.

B. PRIMARY RESEARCH QUESTIONS

1. Question 1:

What is the best structure of Naval Surface Reserve Force Operating Budget holders (comptroller organizations) while preserving efficiency and effectiveness of financial operations?

a. Conclusion

Current Staffing Levels. Naval Surface Reserve Force Operating Budget holders (comptroller organizations) could be reduced from ten to seven and continue to operate efficiently and effectively. A baseline of 26 Reserve Centers per REDCOM was concluded from data analysis. A total of 172 Reserve Centers exist in COMNAVSURFRESFOR. This

computes to seven (6.6 rounded up) REDCOMs required to manage 172 Reserve Centers.

One Additional GS-5. Naval Surface Reserve Force Operating Budget holders (comptroller organizations) could be reduced from ten to five (addition of one GS-5 Budget Assistant) and continue to operate efficiently and effectively. The addition of one GS-5 would change the capacity of REDCOMs to manage 18 additional Reserve Centers vice 9 additional Reserve Centers. A baseline of 35 Reserve would exist. This computes to five (4.9 rounded up) REDCOMs required to manage 172 Reserve Centers. Figure 5.9 corroborates this finding.

b. Update (additional closings)

Subsequent to the start of this thesis, COMNAVSURFRESFOR initiated closure or completed closure of 13 Reserve Centers. A total of 159 Reserve Centers will be operational by the end of FY 1998. (Turnley, 01 Dec 97) A baseline total of 159 vice 172 Reserve Centers in COMNAVSURFRESFOR would result in six (6.1 rounded down) REDCOMs required to manage 159 Reserve Centers at the current staffing level. At a baseline total of 159 vice 172 Reserve Centers and the addition of one GS-5 would result in between four and five (4.5) REDCOMs required to manage 159 Reserve Centers.

c. Recommendation

COMNAVSURFRESFOR should initiate procedures to reduce OB holders.

C. AREAS FOR FURTHER RESEARCH

There have been several aspects of this thesis that warrant additional research. The scope of this thesis was limited to analyzing current operations and current excess capacity within Operating Budget holders comptroller organizations. Recommend additional research be conducted on the reduction of oversight at Naval Reserve Readiness Commands by eliminating support positions no longer required because of improvements in communications and information technology. Secondly, recommend additional studies be conducted on new methods and processes to improve operating procedures (process reengineering). These initiatives could produce further savings within the Naval Reserve Force.

D. SUMMARY

This thesis set out to examine whether enough excess capacity exists in COMNAVSURFRESFOR OB holder's (comptroller departments) to reduce from a current level of ten. The findings illustrate that excess capacity does exist. COMNAVSURFRESFOR is internally reviewing its' infrastructure

to see where savings can be generated. These findings will assist COMNAVSURFRESFOR in meeting those cost saving goals.

APPENDIX A. COMPTROLLER QUESTIONNAIRE

COMNAVSURFRESFORINST 5400.2B provides guidance and basic functions of the Comptroller Departments under its claimancy. The Comptroller Department is responsible for developing the Naval Reserve Readiness Command Region's budget using inputs provided by staff directors and Naval Reserve Center Commanding Officers, and monitoring the execution of the Region's financial plan.

The data requested below will assist me in creating a database for my thesis research. The tables below consist of tasks 1-7 and personnel assignments A-F. Tasks, personnel assignments, and information for tables 1-3 are as follow:

Task	
1	Recording and overseeing the expenditure of all funds, primarily OMN&R and RPN within the region.
2	Reporting requirements.
3	Monitoring of contracts, leases, and interservice support agreements.
4	Conducting financial assessments of records within the region.
5	Formulating, submitting and revising annual budgets.
6	Ensuring proper execution of funds.
7	Overseeing personnel in the Comptroller directorate.

Financial Personnel Assigned	
A	Comptroller (GS 12)
B	Budget Analysis (GS 9)
C	Leading Budget Assistant (GS 6/7)
D	Budget Assistant (GS 4/5)
E	Budget Assistant (GS 4/5)
F	Budget Assistant (GS 4/5)

REDCOMs 8, 11, 13, 16, 22 (Please Enter % In The Cells)

Table A Current Work Assignment Pattern (percentage)

	PERSONNEL					
TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						

Total	100%	100%	100%	100%	100%	100%

Available Total Work Hours = 960 hrs/month

Table B Prospective Work Assignment Pattern (percentage) when work hour/month is reduced by (16.7%), i.e. New total workhours available is 800 hrs/month.

	PERSONNEL					
TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						
Total	100%	100%	100%	100%	100%	100%

Current Total Work Hours = 800 hrs/month
Original Available Total Work Hours = 960 hrs/month

Table C Prospective Work Assignment Pattern (percentage) when work hour/month is reduced by (33.3%), i.e. New total workhours available is 640 hrs/month.

	PERSONNEL					
TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						
Total	100%	100%	100%	100%	100%	100%

Current Total Work Hours = 640 hrs/month
Original Available Total Work Hours = 960 hrs/month

Table D Prospective Work Assignment Pattern (percentage) when work hour/month is reduced by (50%), i.e. New total workhours available is 480 hrs/month.

	PERSONNEL					
TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						
Total	100%	100%	100%	100%	100%	100%

Current Total Work Hours = 480 hrs/month
Original Available Total Work Hours = 960 hrs/month

Table E Prospective Work Assignment Pattern (percentage) if five additional Reserve Centers are added to your region (can be greater than 100% & can add additional personnel).

	PERSONNEL					
TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						
Total						

Table F Prospective Work Assignment Pattern (percentage) if ten additional Reserve Centers are added to your region (can be greater than 100% & can add additional personnel).

PERSONNEL

TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						

Total

Table G Prospective Work Assignment Pattern (percentage) if fifteen additional Reserve Centers are added to your region (can be greater than 100% & can add additional personnel).

PERSONNEL

TASK	A	B	C	D	E	F
1						
2						
3						
4						
5						
6						
7						

Total

Additional Questions:

1. Which billet would you eliminate if you had cut back to five financial personnel?

2. Does geographical location affect financial oversight of subordinate Reserve Centers?

3. Does the size of subordinate Reserve Centers increase your department's workload?

4. What is the maximum number of Reserve Centers that can be effectively and efficiently managed by your Comptroller Department?

5. Do you feel the Operating Budget Holders could be reduced and continue to perform functions efficiently and effectively?

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